

REPORT OF THE AUDITOR-GENERAL



On the National Oil Company of Liberia (NOCAL)

For the Fiscal Years 2006/07, 2007/08

John S. Morlu, II
Auditor-General, R.L

20 April 2011

TRANSMITTAL LETTER

REPORT OF THE AUDITOR GENERAL ON THE NATIONAL OIL COMPANY (NOCAL) FOR THE FINANCIAL PERIODS 1 JULY 2006 TO 30 JUNE 2008

1. I am pleased to issue this report. It is the first audit I have commissioned on the accounts and related records of the National Oil Company of Liberia (NOCAL). The report covers financial period 1 July 2006 to 30 June 2008.
2. The report was initially issued to NOCAL. But immediately following the release of the Draft Management Letter, the Engagement Manager, Fabian Lah, joined NOCAL as an employee. In order to decrease the risk of incorrect acceptance of the report, I appointed, Alieu Konneh as Engagement Manager who was not part of the original audit to review the working papers and carried out additional examination of the financial statements and related records of NOCAL to enable me provide my opinion.
3. As indicated in the methodology segment of the report, all findings conveyed in the report were formally communicated to the Chairman of the Board of Directors, President and the responsible desk officers of NOCAL for their responses. Where responses were provided, they were evaluated and incorporated verbatim in this report. In the Auditor General's Position, I analyzed and evaluated responses received. I noted instances where documentary evidence, material justifications and the substantive authority were not provided to cure the deficiencies noted.
4. Between 2002 and 2007, a Memorandum of Understanding (MOU) and two amendments to the MOU, regarding the sale of Liberia's 2D Seismic Data, were entered into between the National Oil Company of Liberia (NOCAL) and TGS-NOPEC Geophysical Company based in Texas, United States of America. Under the MOUs, TGS-NOPEC acquired, processed, and interpreted seismic data offshore of Liberia approximately 9,382 kilometers from deep water.
5. Under the 2002 MOU, though NOCAL was required to be paid 50% share from proceeds generated by the licensing of the seismic data, only 10% share was remitted to NOCAL's account. As a result, US\$305,680.03 covering transactions undertaken from 2002 to 2008 which accrued to NOCAL was not remitted to NOCAL's account. Inclusive of this amount was the miscellaneous receipts associated with sales of 2D Seismic Data, which were not reported to NOCAL. Accrued interest thereon (i.e. 14% at CBL rate for lending to commercial banks) as a consequence of TGS-NOPEC withholding of NOCAL's portion of revenue from 2002 to 2007 was US\$42,795.20, thus bringing the amount due NOCAL to US\$348,475.23.

6. Similarly, US\$1,034,858.41 payable to NOCAL from the sale of seismic data between 2002 and 2008 was not remitted to NOCAL until October 2008. Accrued interest on this amount withheld (i.e. 14% of unremitted revenue) totaled US\$144,880.17.
7. TGS-NOPEC, in a number of situations, disregarded the provisions of the MOUs entered into with NOCAL. There was also no evidence that NOCAL's Management intervened to make TGS-NOPEC compliant. TGS-NOPEC non-compliance would impact the development of the Oil and Gas Industry in the Republic of Liberia and thus deny economic benefits that could accrue to the people of Liberia. NOCAL's Management did not provide clarity regarding its default in the opening of the Escrow account for revenue remitted by TGS-NOPEC.
8. Additionally, I also discovered two outstanding payments, totaling US\$454,000.00, from the Revenue Report of TGS-NOPEC and sales invoices submitted by TGS-NOPEC. This amount was owed by Mittal Investment and Hong Kong Tai Petroleum International Corporation since 30 June 2008.
9. TGS-NOPEC has, on account of the audit conducted, remitted **US\$1,266,102.59** out of US\$1,655,965.36 assessed, as outstanding revenue since 2002 into NOCAL's account. This amount was assessed by me and TGS-NOPEC paid. During the course of the audit, I noted that TGS-NOPEC has made significant improvement in reconciling NOCAL's account and remitting promptly the share of revenue due NOCAL.
10. As indicated in the report, records on NOCAL revenue sharing with TGS-NOPEC were found inadequate due to the records not indicating details of revenue generated for each given period with the necessary adjustment, including discounts allowed and additional fees charged to clients' accounts. The records provided revealed summary of revenue amounts year by year with no indication of references/ folio numbers, which could lead to omissions, thus providing opportunities for manipulation of the records. As a result, it was impracticable to render opinion on the financial statements regarding NOCAL's revenue sharing.
11. I therefore recommended that NOCAL's Management, in its dealings with TGS-NOPEC, should establish and insist on transparent processes to ensure that financial records and reports regarding NOCAL's revenue sharing are accurate and complete. NOCAL's Management should also incorporate in its agreement with TGS-NOPEC on the development of the oil and gas industry in the Republic of Liberia, measures to ensure independent review and monitoring of accounting and reporting functions, and that these are performed on a regular and timely basis.
12. US\$118,400.00 was paid from NOCAL's Account as "Lobbying Fees" to the National Legislature in order to ratify petroleum contracts that were pending before the National Legislature. Though the Board's Chairman intimated that the lawmakers requested for such an amount from NOCAL to rapidly ratify the contracts, no evidence was provided to justify the claims of the Board's Chairman.
13. The payment of the purported lobbying fees to the Legislature is unlawful, and contravenes Section 12.50(1) of the Penal Law of Liberia which states "a person has committed bribery, a second degree felony, if he knowingly offers, gives or agrees to give to another or solicit,

accepts or agrees to accept from another, a thing of value as consideration for: (a) The recipient's official action as a public servant, or (b) The recipient's violation of a known duty as a public servant."

14. Minutes of the NOCAL's Board of Directors indicated that the Board was also concerned that payment of such amounts to influence the passage of the petroleum contracts of Broadway PLC and Oranto Petroleum was irregular, a form of bribery.
15. The Board's Chairman in his response to the findings of the audit made these assertions:

"After consultation with the authorities we gave in to their demands, reluctantly. The first amount was \$ 50,000.00 was approved by the Board."

"A scrutiny of the minutes will reveal that we did not have fund at the time; the Board authorized management to borrow it from the LPRC. A second payment was made to the Legislators without the approval of the Board. I was informed by Dr. Kromah, NOCAL's President that the situation demanded that this amount be paid right away. I do not believe I was even in the Country and many Board members were unavailable."

16. Board Chairman Urey admitted to the Board's approval of the US\$50,000.00 borrowed from LPRC for the purpose of bribing the Legislature for the passage into law of these petroleum contracts. By his admission, he is saying that he and the Board Members were aware of the disbursement from the borrowed US\$50,000.00 from LPRC to a Member of the National Legislature and the Chief Clerk of the House of Representative. Montserrado County District #1 Representative received US\$40,000.00 as authenticated by the receipt issued by her and the Chief Clerk James Kaba received US\$1,500.00 as also authenticated by a receipt issued by him.
17. The Management of NOCAL did not provide any evidence of how and to whom the balance US\$76,900.00 was paid. The refusal to provide the names of the members of the National Legislature who received the US\$76,900.00 further demonstrated the irregular nature of the transaction. As noted, Board Chairman Urey indicated in his response to the findings that:

"A second payment was made to the Legislators without the approval of the Board. I was informed by Dr. Kromah, NOCAL's President, that the situation demanded that this amount be paid right away. I do not believe I was even in the Country and many Board members were unavailable."

18. By these statements, Chairman Urey attempted to exonerate the Board from all other subsequent payments made by the Management of NOCAL. His attempt to exonerate himself and the Board is feeble because he admitted that he and the Board authorized some of the payments. Chairman Urey contended, "the Board authorized management to borrow it from the LPRC." This clearly showed that the bribery was authorized by the Board's approval to borrow US\$50,000.00 from LPRC. The number of authorizations the Board provided was not material and is not the issue. Instead the action of the Board to authorize the first payment was irregular and a breach of the Penal law of Liberia, setting the basis for the President/CEO to exploit the opportunity.

19. The Management in flagrant disregard to the laws of Liberia in its response stated:

*"Although management recognizes that this is a **common practice**, however, from henceforth we will refrain from so doing."*

20. 'Common practice' cannot supersede the laws and Constitution of the Republic of Liberia. I acknowledged Management's response that it will refrain from the act of giving funds to members of the National Legislature but I am required to report as of date, meaning reporting material events that occurred during the course of the audit.

21. 'Common practices' of giving funds to some members of the Legislators through the provision of public funds to ratify contracts and concessions is not an acceptable practice, as in some jurisdictions there is severe penalties including criminal charges for inducing Legislators through the giving of funds. The United States Foreign Corrupt Practices Act of 1977 prohibits the giving of money to public officials to influence official decisions, such as for the sole purpose of ratifying concessions and contracts. This alleged and un-spoken 'common practice' also contravenes sections 12.51 and 12.52 of the Penal Law of Liberia which prohibits unlawful rewards and compensation to public officials.

22. Furthermore, 'Common practice' of giving funds to some individual members of the National Legislature was also not done in the manner that was transparent and accountable. For instance, besides the receipt of the US\$40,000.00 from Representative Barr and the US\$1,500.00 paid to Chief Clerk Kaba, the Management of NOCAL did not provide any evidence of how and to whom the balance US\$76,900.00 was paid.

23. Chairman Urey further indicted the Board and Management when he contended:

*"These Contracts were presented to the National Legislature on August 17, 2006. They were not ratified until April 16, 2007, a period of about eight months." By his own admission, NOCAL had to pay off the Legislators to ensure passage of the contracts, as again, Chairman Urey defended that **"we gave in to their demands, reluctantly. The first amount was \$ 50,000.00 was approved by the Board."***

24. I recommended that the **US\$118,400.00** purportedly paid as lobbying fees be refunded to NOCAL's coffers by Madam Alomiza Ennos Barr, Member of the House of Representative, James Kaba, Chief Clerk of the House of Representative, and Dr. Fodee Kromah, President of NOCAL. Except for a payment received and signed for by Madam Barr in the tune of US\$40,000.00 and another payment signed for by Chief Clerk Kaba in the tune of US\$1,500.00, there was no evidence of receipt by the National Legislature of US\$76,900.00. On the basis of the information and clarification provided by Chairman Urey, I recommended that Dr. Kromah refund the amount and that the Minister of Justice employs the necessary legal means to remedy the fraud and the contravention of Liberian laws.

25. Additionally, I have recommended that the petroleum contracts of Broadway PLC and Oranto Petroleum Ltd ratified by the Legislature and signed by the President of the Republic of Liberia are immediately nullified, because the process was compromised by bribery and influence

peddling, thereby denying assurance that the contracts were ratified for the benefit of the Liberian people.

26. I also recommended that the Minister of Finance should regulate inter-government borrowing by clearly defining the parameters and purposes for which inter-government borrowing can be carried out. NOCAL borrowed US\$50,000.00 from the Liberia Petroleum and Refining Company (LPRC) for no other purpose but to pay what is referred to as "lobbying fees" to the Legislators to ratify two petroleum contracts. LPRC, like NOCAL, is a state-owned enterprise. This regulation will prevent the misuse of public funds, as clearly the money borrowed from LPRC was misused for the sole purpose of influencing the passage of these contracts by the National Legislature.
27. A number of irregularities were also noted with the operations of NOCAL's Board. Inclusive in these irregularities was Management's decision to procure a twin cabin-pick-up valued at US\$34,500.00 for the Board's Chairman. This was an act not supported by NOCAL's guidelines or any other policy of the Company.
28. NOCAL's Board made several changes in the fees paid to the Board. Fees paid since 1 July 2006 to 2008, ranged from US\$1,000.00 per quarter in 2006 to US\$2,000.00 in 2007 and US\$3,000.00 in 2008. It was unclear what considerations underpinned the changes in the remuneration.
29. Additionally, a quarterly allowance of US\$2,050.00 was paid in advance to a Board's member contrary to the Act creating NOCAL. The advance paid was also wrongly charged to the Company's Board expense account instead of a receivable account.
30. It was also noted that NOCAL's President/CEO was paid Board remuneration, a benefit not approved by NOCAL's Enabling Enactment and a contravention of Article 90 (b) of the Constitution of Liberia. My review also revealed that Management made payment of Board fees to four senior staff in the tune of US\$2,800.00. It was also noted that US\$300.00 was paid to Accountant Timothy Wiaplah.
31. NOCAL's Enabling Enactment explicitly states that the NOCAL Board of Directors is appointed by the President, which comprised of seven (7) members and shall be paid fees. This implies that only those appointed by the President shall be entitled to Board fees. The lapses noted was recognized by Board member, Peter B. Jallah, Jr in the Board meeting held on Thursday, 6 December 2007, where he questioned the attendance of non-board members to Board meeting. Though the President, Dr. Kromah, asserted that he has the right to invite any staff or member of management to a Board meeting, in my view, to pay non-board members fees because they were invited to a Board meeting is irregular. This is because only duly appointed Board members should be paid Board fees for attending Board meetings. Employees can be called upon by the Board to provide clarifications on matters as required by the Board but are not entitled to Board fees.
32. Management did not deduct taxes from the fees paid to Board members. Taxes were also not deducted from Board's remuneration paid to some senior management staff of the Company, thus denying Government the required taxes that are vital for national development. I thus

enquired from Management on the matter and accordingly, the Senior Accountant, Timothy Wiaplah, explained that payments made to Board members were done without the necessary tax deduction because he had not been instructed by the Management to do so. I did not accept this as a material justification.

33. Contrary to the provisions of NOCAL Act that the President of Liberia shall appoint the Chairman and members of the Board of Directors as well as the President and Chief Executive Officer of the Corporation, I observed that it was only the Board's Chairman who was appointed by the President. The rest of the Board Members were appointed by Morris G. Saytumah, Minister of State for Finance and Legal Affairs.
34. For the appointment of the Chief Executive Officer, Vice Presidents and other Executive Officers of NOCAL, the President of Liberia directed that a Search Committee be constituted to effect those appointments. However, I was not provided evidence indicating that the Board ever constituted the Search Committee to undertake the appointments as directed by the President.
35. Besides, neither the Management nor the Minister of Presidential Affairs, upon request, presented evidence to me to show that the current Board took stock of NOCAL's performance and set Strategic Goal or Direction for the Company as directed in the President's appointment letter of the Board's Chairman. On the issue of Board's appointment, Management provided the following excuse and blamed the entire irregularity on the Ministry of State:

"We like to clarify here that it is the prerogative of the President of Liberia to decide who responsibility of that office should be delegated to. Similarly, letter from the President of Liberia not on official Ministry of State Letter head does not fall within NOCAL's purview. Therefore, the Ministry of State should be contacted to provide explanation on why letter written to Board members were not on official letter head."

"We acknowledge this finding on the lack of curriculum vitae for Members of NOCAL's Board. But it is consenting to note that we are not the appointing authority, therefore the submission of curriculum vitae is not a prerequisite to be accepted as a Board member."

36. The Ministry of State was contacted. The irregularity was noted and accepted. But management's contention is also flawed. For instance, good corporate governance would indicate that before management makes a payment such as board fees to Board members, management would have exercised the maximum level of due care to ensure that all board members who were paid were duly appointed by the President of Liberia. Management is expected to know the legal instrument creating NOCAL. The Management is also expected to know that it is not normal practice for appointment letters to be written on a "flying sheet" without a letterhead from the Office of the President or the Ministry of State, assuming such appointments were on the basis of a directive from the President.
37. It is clearly stipulated that the President must appoint all Board members of NOCAL. By management's contention, it is indicating that Management ignored this provision of the law and paid out funds to board members that were not duly appointed by the President of the Republic of Liberia. The Management has yet to provide me the basis of payments of board

fees etc, although it has acknowledged that it did not even have on its file curriculum vitae of each Board member. This was complete negligence on the part of management, which cannot be explained away by blaming the Ministry of State.

38. On the issue of the Search Committee, Management contended:

"However, as instructed by the President of Liberia, a Search Committee was organized and the recruitment process was competitive. Reference Annexure "A" for evidence of the recruitment process conducted by the Search Committee."

39. The Management did not present evidence that the proposed searched committee was constituted by the Board. Besides, Management did not attach the referenced Annexure "A" as cited by management in its response. A Board minute constituting the Search Committee was also not provided by management. The names of the members of the Search Committee were not provided by the management. A report from the purported Search Committee was also not provided by management. I also was not provided any evidence of expenditure made by the purported Search Committee, or any per diem or other remuneration paid to any member of the purported Search Committee.

40. Additionally, there was no complete documentation on capital injections made by Government of Liberia into the Company since its creation in 2000. My review indicated that so far **US\$326,604.56** had been injected, which exceeded the proposed initial capital of US\$250,000 stipulated in the Act by US\$ 76,604.56. The amount paid by Government was also not reflected in the financial statements. The Management attempted to provide justification on the excess payment on the basis that the President has the prerogative to increase the Government of Liberia's capitalization. Management contended:

"The President of Liberia has the power to increase this capital injection from time to time. Therefore, an analytical process showing variances and emphasizing excess is unclear. Because, it is the Government discretion that the capital injection changes from time to time depending on the prevailing situation."

41. Neither the Government of Liberia nor the NOCAL's Management provided the substantive basis for the excess payment, such as what material justification informed the decision for the excess payment. For instance, management did not provide me a report indicating a request from NOCAL's management that it needed additional capitalization. There was also no document provided to indicate the analysis that was done by the Office of the President or the Minister of Finance to convince me that the payment was necessary and required to keep NOCAL afloat. There was no indication that this excess payment was approved by the Budget Committee and the National Legislature.
42. The Management also did not provide evidence that it submitted a capitalization schedule to the President, disclosing to the President the US\$150,000.00 that it has acknowledged to have been paid by the National Transitional Government of Liberia. Hence, although management has contended that the Government of Liberia through the President has the discretion to increase its capitalization of NOCAL, it is reasonably expected that such discretion is based on sound analysis and adequate documentation. Therefore, Management's

contention that the only material justification that it can provide for the excess capitalization is the discretionary powers of the President cannot be sustained on the merits, as transactions in Government are governed by law and sufficient appropriate documentation.

43. Fuel Slips/Coupons used within NOCAL were internally printed by the Company and not serially pre-numbered. The Human Resource Manager was assigned the sole responsibility of managing the Company's fuel supplies in respect to order, custody, handling and distribution of fuel coupons/slips. The process of a single person managing all aspects of fuel supplies made it impracticable to verify the quantity of coupons purchased and quantity distributed during the period under review. Additionally, in the procurement of fuel/gas for NOCAL, the provision of Section 53(a) of the PPC Act of 2005, which requires the use of the quotations and shopping method, were not complied with. As a result, procurement was carried out without due procedures being adhered to and therefore, I could not provide assurance that value for money was achieved in the supplies obtained.
44. There was no framework established by the Management of NOCAL to determine the nature of assistance that could be granted under its Management Assistance Plan as well as thresholds that disbursements on the Program may be limited. But management paid US\$5,000.00 to a Senior Geologist of the Company as "assistance for relocation". There was also no evidence of related documentation accounting for the disbursement. The granting of assistance to personnel of the Company, not on the basis of a well-documented framework approved by NOCAL's Board, could provide unfettered opportunities for the abuse of the Company's funds.
45. For the periods under audit, the Internal Audit Department (IAD) was not established within NOCAL. An Audit Committee neither existed at the level of NOCAL's Board. The IAD is an independent review mechanism established by Management to oversee the attainment of the entity's overall objectives in an orderly, efficient, economic and effective manner. The non-existence of an IAD was a drawback to the Company's attainment of its objectives. I recommended during the course of the audit that an IAD is established and an Audit Committee is created.
46. NOCAL did not provide evidence that it has Financial Regulations and Accounting Manual. The manual is required to provide guidance to the finance staff in the discharge of their functions. The absence of the financial regulations and rules governing the operations of the Company that would have outlined procedures, processes and controls for the Company's activities, made the control and management of revenue and disbursement of funds at the discretion and personal judgment of Management. This omission also provides opportunity for errors, fraud, waste and other malpractices. Management in response to the findings asserted, *"Our present accounting manual was modeled to include the generation of the Company's revenue and how payments are made in line with GAAP"*.
47. The Management's contention that NOCAL's accounting manual is consistent with generally accepted accounting principles (GAAP) is without merit. NOCAL did not even indicate which GAAP, as for example United States GAAP, British GAAP, IPSAS, IFRS, etc. Furthermore, the financial statements, as noted, showed that they are not prepared on the basis of GAAP.

48. NOCAL did not maintain general or subsidiary ledgers; neither did it compile bank reconciliation statements for NOCAL's bank accounts during the period under audit. The non-compilation of bank reconciliation statements indicated that irregular dealings of the Company through the bank may not be promptly uncovered. I recommended that the Comptroller ensures that the Company's accounts are reconciled monthly through the use of bank reconciliation statements and that these statements should be reviewed by him and signed off by the Vice President for Finance and Administration.
49. The Management disposed off five vehicles of the Company without following PPC Act, 2005 disposal provisions. Management did not provide evidence that the process leading to disposal of government assets as clearly defined under Part VII Sections 123 and 124 of the PPC Act of 2005 was adhered to. I was, thus, unable to provide assurance that the Company's assets were properly safeguarded and accurately disclosed in NOCAL's final accounts.
50. Travel advance payments totaling US\$136,584.78 granted to NOCAL's officials for various assignments outside the city of Monrovia were not retired. Also several travels by officials of NOCAL between October 2006 and April 2008 funded at the total cost of US\$13,421.61 were not supported by relevant documentation, such as invitations and approval letter of foreign trips, copies of travel documents that were provided including boarding passes and used ticket stubs, or photocopies of passports. The lack of these documents denied assurance that travels were actually undertaken by the officials of the company.
51. Additionally, NOCAL established and used rate of per diem not provided for in the extant Executive Ordinance No. 8 for payment of both management personnel and other personnel of the Company, who undertook foreign travels during the period under review. In almost all cases of foreign travels made from July 2006 to June 2008, NOCAL's management did not comply with section 54 (1,4) of the PPC Act and Executive Ordinance NO.8.
52. Furthermore, by the terms of the contracts entered into with, Oranto Petroleum Ltd and, ROPSOL separately, the parties were supposed to fund travel and other related costs of NOCAL personnel who travelled to attend meetings held outside Liberia. NOCAL advanced US\$55,044.05 and US\$ 71,080.28 to its personnel attending such meetings on behalf of Oranto Petroleum Ltd and ROPSOL respectively. However, these advances have not been recovered from Oranto Petroleum Ltd and ROPSOL as at the time of audit reporting.
53. Three bank accounts maintained by NOCAL at Ecobank for 2006/2007 fiscal year indicated that NOCAL had total revenue collections of **US\$ 1,059,185.61** as opposed to the US\$742,339.92 reported in the 2006/7 Income Statement, thus reflecting a variance of **US\$316,845.69**. Similarly, my analysis of revenues for 2007/8 fiscal year revealed total revenue of **US\$3,200,438.30**; NOCAL however reported US\$ 2,627,081.23 for 2007/8, again resulting in a variance of **US\$ 573,357.07** of under reporting.
54. Similar discrepancies were noted with GOL subsidy to NOCAL, receipts from TGS-NOPEC and Miscellaneous Revenue in the financial statements. GOL subsidies to NOCAL and receipts from TGS-NOPEC were reported in the financial statements as US\$154,705.21 and US\$8,568.51, instead of US\$154,281.64 and US\$5,408.54 respectively. Because management

did not use CBL exchange rate between the L\$ and US\$, GOL Subsidy to NOCAL was understated by US\$7,324.87 in the financial statements. Furthermore, US\$5,000.00 collected from Broadway Consolidated PLC as reception presentation fees were not reported in the final accounts of the Company.

55. Analysis of NOCAL's budget and financial statements for the periods under review indicated that payroll costs were not supported by records substantiating the payments. Additionally, US\$38,610.00 and US\$42,350.00 paid as allowances to employees in 2006/2007 and 2007/2008 respectively, were not reflected in the financial statements, despite being budgeted for. Also Social Security contributions amounting to US\$1,365.35 withheld from July 2006 –January 2007 were not remitted to NASSCORP, but were later refunded to the employees that had contributed to the Social Security scheme.
56. Income taxes deducted from employees between July 2006-June 2007 and July 2007-June 2008 were also not remitted to the Ministry of Finance promptly as required by the Revenue Code of 2000. I noted up to 10 months delay in remitting withholding taxes to the Ministry of Finance. Unpaid Income Taxes which amounted to US\$4,313.30 and due to Government of Liberia for the period of July 2006 to June 2008 was still outstanding as at the time of reporting. The delay and non-payment of Withholding Taxes on a timely basis could also deny GOL of the required revenues, which may also cause NOCAL to pay unnecessary penalty for late payment.
57. US\$41,980.07 paid to the General Revenue Account of the GOL, representing customs charges, was not approved by the appropriate authorities and supported by relevant disbursement vouchers (DVs). During the two fiscal years under review, a total of US\$54,172.45 was expended without relevant DVs supporting the expenditures. Also, contrary to NOCAL established procedures, disbursements totaling US\$32,034.79 & L\$2,470.00 were made without the approval of the President of NOCAL. NOCAL transactions' non-conformity with established procedures and absence of DVs to support expenditure denied assurance on the validity of transactions undertaken accordingly; Management was advised to strictly adhere to control procedures regarding the certification and approval of DVs.
58. For the period under audit, the Management of NOCAL entered into a number of consultancy agreements, among which includes the hiring of Board member, Stephen Dunbar as retained lawyer. Cllr. Stephen B. Dunbar as evident by relevant supporting documents was paid US\$15,615.00 for legal services. It is instructive to note in the 22 May 2007 meeting of the Board, Cllr. Stephen Dunbar advised against the hiring of an in-house lawyer and prevailed on his colleagues to retain a legal counsel. He was therefore selected as the Legal Counsel. This indeed was a material conflict of interest in direct contravention of Article 90 (a) of the Constitution of Liberia and Section 131 of the PPC Act, 2005 which prohibit conflict of interest. Cllr. Stephen Dunbar acted ultra virus to his position as member of the Board of NOCAL, thus breaching his fiduciary responsibility to NOCAL.
59. Furthermore, Management paid Cllr. Peter B. Jallah, also a NOCAL's Board member, US\$500.00 on 26 September 2006 on check #44546 for legal services rendered to NOCAL, even though NOCAL already had Cllr. Stephen Dunbar as its Retained Lawyer. It is instructive

to note that the hiring of Board Member Peter B. Jallah to render services to NOCAL again as a consultant contravened Article 90 (a) of the Constitution of Liberia and Section 131 of the PPC Act, 2005.

60. Overall, both financial and administrative activities undertaken by NOCAL's management during the period under review were marred by a number of financial irregularities and control deficiencies. The financial irregularities noted amounted to **US\$406,384.26** and **L\$15,315.00**. Details of these deviations are provided in **Annexure1**.
61. Her Excellency, the President of the Republic of Liberia, the Speaker, House of Representatives and the President Pro-Tempore of the Liberian Senate, the above issues are symptomatic of others noted in this report. I advise that their resolution be considered a matter of urgency.




John S. Morlu, II. 3:20 PM
(Auditor-General, RL)


Table of Contents

ACRONYMS USED	4
EXECUTIVE SUMMARY	5
Background	5
Limitation of Responsibility	5
Scope Limitation	6
SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS	6
Operational Matters.....	6
Liberia 2D Seismic Data Sales: Performance of Sales Contract.....	6
Unreliable Accounting Records on Liberia Seismic Data Sales	7
Lobbying Fees Paid to the National Legislature	8
Governance Issues.....	8
Irregularities noted with Board activities	8
Illegal Constitution of NOCAL Board of Directors, Capitalization and Setting of Strategic Goals.....	9
Administrative Matters.....	10
Irregularities Noted with Procurement of Goods.....	10
Management Assistance Plan	11
Internal Control-Related Issues	11
Non-Establishment of Internal Audit Unit within NOCAL.....	11
Absence of Financial Regulations and Accounting Manual	12
Non-Compilation of Bank Reconciliation Statements and Inadequate Accounting Documentation .	12
Accountability for NOCAL Assets.....	12
Irregularities Noted With Travels	13
Financial Matters.....	13
Discrepancies in Reported Revenue	13
Personnel-Related Costs Reported in Financial Statements.	14
Disbursements without Authority	15
Statement of Accountability	15
DETAILED REPORT	16
Introduction	16
Background of NOCAL	16
Management Personnel	16
Scope and Objective of the Audit.....	16
Audit Methodology	17
Scope Limitation	18

Limitation of Responsibility	18
DETAILED FINDINGS AND RECOMMENDATIONS	19
Operational Matters.....	19
Liberia 2D Seismic Data Sales: Performance of Sales Contract.....	19
NOCAL Share of Revenue Under-remitted	21
Delay in Remittance	21
New Revenue Sharing Fee Established Without Formal Agreement.....	21
TGS-NOPEC and NOCAL Failure to Establish Escrow Account per MOU.....	22
Outstanding Revenues through TGS-NOPEC to NOCAL	23
TGS-NOPEC's Failure to Provide Accurate and Complete Underlying Accounting Records	24
Payment of "lobbying fees" to National Legislature	30
Governance Issues.....	36
Re-capitalization of NOCAL and Pursuit of Strategic Goals.....	36
Illegal Constitution of NOCAL Board of Directors.....	38
Irregularities noted with Board activities	43
Payment made in Excess of Allotted Amount for Purchase of Motor Vehicles	43
Unauthorised Purchase of Vehicle for Board Chairman.....	43
Variation in Board's Remuneration	44
Payment of advances to Board Member	44
Board fees unaccounted for: US\$400.00	44
Irregular payment to Non-Board Members	44
Unsupported Board Expenditure	45
Non-Deduction of tax from Board fees	45
Administrative Matters.....	49
No adequate Control over Fuel Coupons	49
Fuel/Gas procure without following PPC Act.....	50
No Contract Agreement/MOU on the supply of Fuel/Gas.....	50
Lack of control over Gas/Fuel supply to Utility vehicle	51
Discrepancies in Vendor Confirmation Relating to Transactions with NOCAL	53
Procurement of Consultancy Services.....	55
Consultancy Agreement with Mwetana Consulting Technology Group	56
Consultancy Agreement with Cllr. Stephen Dunbar.....	57
Consultancy Agreement with Cllr. Peter B. Jallah	58
Consultancy Agreement COMIE Consultants Inc.....	58

Consultancy Agreement with J. Nanborlor F. Singbeh.....	58
Consultancy Agreement with Aries Security Service Incorporated	59
Non Existence of Internal Audit Unit (IAU)	61
Absence of Financial Regulations and Accounting Manual	62
Cash and Bank.....	63
Maintenance of petty cash policies and related procedures	66
Safeguarding of Assets within NOCAL	69
Fixed Assets not appropriately embossed	69
Insufficient records on Fixed Assets.....	69
Vehicles Verification	71
Irregularities noted with NOCAL's travels.....	77
Unsatisfactory Stores Management.....	83
Payment of Liability to Unregistered Entity	85
Financial Matters.....	86
Irregularities Noted In Revenue Collection.....	86
Operational USD	88
Hydro Carbon Account.....	88
Special Account	89
Revenue Overstated in the Financial Statements.....	89
Irregularities Noted with the Disbursement of Funds	101
Inter-Ministerial Committee.....	102
Post Audit Issues-TGS-NOPEC Payment	105
Statement of Accountability	107
Acknowledgement.....	108
Schedules	109
Exhibits	140

ACRONYMS USED

Acronyms	Meaning
AOM	Audit Observation Memorandum
DN	Delivery Notes
DV	Disbursement Voucher
GAC	General Auditing Commission
GOL	Government of Liberia
IA	Internal Auditor
IAU	Internal Audit Unit
IIA	Institute of Internal Auditors
INTOSAI	International Organization of Supreme Audit Institution
IPSAS	International Public Sector Accounting Standards
MOF	Ministry of Finance
NASSCORP	National Social Security and Welfare Corporation
NOCAL	National Oil Company of Liberia
PPCC	Public Procurement and Concession Commission
PU	Procurement Unit
RL	Republic of Liberia

EXECUTIVE SUMMARY

Background

1. I have audited the accounts and other related records of the National Oil Company of Liberia (NOCAL), covering the period 1 July 2006 to 30 June 2008. The audit was commissioned on 15 October 2008, under the Auditor-General's (AG) statutory mandate as provided for under Chapter 53.3 of the 1972 Executive Law of Liberia. The audit is the first audit of the Company's accounts by the GAC.
2. NOCAL was established in April 2000 by the National Legislature, amending the 1972 Executive Law of Liberia, to hold all of the right, title and interest of the Republic of Liberia in the deposits and reserves of liquid and gaseous hydrocarbons within the territorial limits of Liberia. NOCAL is therefore charged with the responsibility to organize, conduct, arrange and supervise all relevant research and exploration for liquid and gaseous hydrocarbons in Liberia.
3. The objective of the audit was to evaluate the effectiveness of internal controls and test critical controls over the sales of the 2D Seismic Data, calculation, and reporting processes; the reliability and fair presentation of the financial records; integrity of the systems operated by NOCAL in discharging its statutory mandate, and whether in practice, the systems had been adhered to and efficiently maintained. The audit thus involved reviews as would enable me to appropriately report on the attainment of the Company's mandate. Additionally, the review to meet the minimal reporting requirements in the Auditor-General's mandate, as spelt out under Section 53.7 of the Executive Law of 1972, was undertaken.
4. In this report, reference to the Auditor General undertaking audit procedures implies that the audit work was done under the direction and delegated authority of the Auditor General, and the Auditor General has reasonable assurance that the audit work undertaken, has been executed in accordance with international standards on auditing as prescribed by the International Organization of Supreme Audit Institutions (INTOSAI).
5. Findings on significant control weaknesses and other lapses were addressed to Management initially in the form of Audit Observation Memoranda (AOMs). Responses received on the AOMs were evaluated and incorporated in the Draft Management Letter for Management's response and attention. Responses were duly evaluated and incorporated into this report verbatim. Auditor General's position is indicated to accept or reject management's explanations mainly on basis of the evidential matters such as sufficient appropriate documentation, follow-ups on responses from management to the Draft Management Letter, and material justifications backed by NOCAL's enabling Act and other financial management laws of the Government of Liberia.

Limitation of Responsibility

6. The systems and management controls operated by NOCAL were reviewed only to the extent considered necessary for the effective performance of the audit. As a result, my review may not have detected all the weaknesses that existed and my recommendations may not include all the improvements that could be made.

Scope Limitation

7. The scope of the audit testing was hindered by the Company's inability to provide the general ledger records, bank reconciliation statements, notes on the consolidated Financial Statements and depreciation schedule of fixed assets. I was therefore unable to ascertain the Company's cash position at the close of the fiscal periods. The lack of provisions of the records also made it difficult to trace transactions from ledgers to the final accounts and determine the composition of line items aggregated in the Financial Statement, and perform analytical review procedures to indicate all significant anomalies in the accounts.
8. The report main findings include:
 - Anomalies noted in NOCAL revenue sharing agreement with TGS-NOPEC;
 - Irregularities noted in NOCAL's Board activities;
 - Lack of implemented and effective internal controls including audit operations within NOCAL;
 - Absence of financial and procedures manuals;
 - Discrepancy in reporting revenue accrued;
 - *Irregular payment of "lobbying" fees allegedly paid to members of the National Legislature;*
 - Non remittance of statutory contributions;
 - Irregularities noted with NOCAL's Foreign and local travels;
 - Irregularities noted with NOCAL's procurement;
 - Inappropriate approval of disbursement vouchers;
 - Payment without supporting vouchers;
 - The extent to which the audit was restricted by NOCAL (i.e. scope limitation).
9. Summaries of the above findings and recommendations are presented hereunder.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Operational Matters

Liberia 2D Seismic Data Sales: Performance of Sales Contract

10. Between 2002 and 2007, one Memorandum of Understanding (MOU) and two amendments to the MOU, regarding the sale of Liberia 2D Seismic Data, were entered into between the National Oil Company of Liberia (NOCAL) and TGS-NOPEC Geophysical Company based in Texas, United States of America. Under the MOUs, TGS-NOPEC acquired, processed, and interpreted approximately 9,382 kilometres of seismic data from the deep water offshore of Liberia.
11. Under the 2002 MOU, though NOCAL was required to be paid 50% share from proceeds generated by the licensing of the seismic data, only 10% share was remitted to NOCAL account. As a result, US\$305,680.03 covering transactions undertaken from 2002 to 2008 which accrued to NOCAL was not remitted to NOCAL's account. Inclusive of this amount was the miscellaneous receipts associated with sales of 2D Seismic Data, which were not reported to NOCAL. Accrued interest thereon (i.e. 14% at CBL rate for lending to commercial banks) as

a consequence of TGS-NOPEC withholding of NOCAL's portion of revenue from 2002 to 2007 was US\$42,795.20, thus bringing the amount due NOCAL to US\$348,475.23.

12. Similarly, US\$1,034,858.41 payable to NOCAL from the sale of seismic data between 2002 and 2008 was not remitted to NOCAL until October 2008. Accrued interest on this amount withheld (i.e. 14% of unremitted revenue) totalled US\$144,880.17. TGS-NOPEC, in a number of situations, disregarded the provisions of the MOUs entered into with NOCAL. There was also no evidence that NOCAL's Management intervened to make TGS-NOPEC compliant. TGS-NOPEC non-compliance would impact the development of the Oil and Gas Industry in the Republic of Liberia and thus deny economic benefits that could accrue to the people of Liberia.
13. Accordingly, I recommend that US\$1,655,965.36 (Ref. **Annexure 2**) being amounts payable to NOCAL, including the accrued interest, should be remitted to NOCAL by TGS-NOPEC. Additionally, I also discovered two outstanding payments, totalling US\$454,000.00, from the Revenue Report of TGS-NOPEC and sales invoices submitted by TGS-NOPEC. This amount was owed by Mittal Investment and Hong Kong Tai Petroleum International Corporation and has been outstanding since 30 June 2008.
14. NOCAL's Board and Management should supervise and ensure that all provisions contained in the NOCAL/TGS-NOPEC MOUs, including the revenue generated from the sales of Liberia's Seismic Data, are duly complied with. NOCAL's Management did not provide clarity regarding its default in the opening of the Escrow account and revenue remittance by TGS-NOPEC.
15. TGS-NOPEC has, on account of the audit conducted, remitted US\$1,266,102.59 (**Ref: Exhibit 1**) out of US\$1,655,965.36 assessed by the audit as outstanding revenue since 2002 into NOCAL's account and has also made significant improvement in reconciling NOCAL's account and remitting the share of revenue due NOCAL promptly.

Unreliable Accounting Records on Liberia Seismic Data Sales

16. Records on NOCAL revenue sharing with TGS-NOPEC were found to be inadequate due to records not indicating details of revenue generated for each given period with the necessary adjustment, including discount allowed and additional fees charged to clients' accounts. The records provided revealed summary of revenue amounts year by year with no indication of references/ folio numbers, which could lead to omissions, thus providing opportunities for manipulation of the records. As a result, it was impracticable to render opinion on the financial statements regarding NOCAL's revenue sharing.
17. I therefore recommend that NOCAL's Management, in its dealings with TGS-NOPEC, should establish and insist on transparent processes to ensure that financial records and reports regarding NOCAL's revenue sharing are accurate and complete. NOCAL's Management should also incorporate in its agreement with TGS-NOPEC on the development of the oil and gas industry in the Republic of Liberia, measures to ensure independent review and monitoring of accounting and reporting functions, and that these are performed on a regular and timely manner.

Lobbying Fees Paid to the National Legislature

18. NOCAL Board Chairman, Clemenceau Urey, unilaterally approved the disbursement of an amount totalling US\$118,400.00 as "Lobbying Fees" to the National Legislature in order to ratify petroleum contracts that were pending before the House. Though the Board Chairman intimated that the lawmakers requested for such an amount from NOCAL to rapidly ratify the contracts, no evidence was provided to justify the claims of the Board's chairman.
19. Payment of purported lobbying fees to the Legislature is unlawful, and contravenes Section 12.50(1) of the Penal Law of Liberia which states that "a person has committed bribery, a second degree felony, if he knowingly offers, gives or agrees to give to another or solicit, accepts or agrees to accept from another, a thing of value as consideration for: (a) The recipient's official action as a public servant, or (b) The recipient's violation of a known duty as a public servant."
20. Minutes of NOCAL Board of Directors indicated that the Board was also concerned that payment of such amounts to influence the passage of the petroleum contracts of Broadway PLC and Oranto Petroleum was irregular, a form of bribery. On this basis, I recommend that the US\$118,400.00 purportedly paid as lobbying fees be refunded to NOCAL's coffers by Alomiza Ennos Barr, Member of the House of Representative, James Kaba, Chief Clerk of the House of Representative and Clemenceau B. Urey, Chairman of the Board of Directors of NOCAL. Except for a payment received and signed for by Barr in the tune of US\$40,000.00 and another payment signed for by Chief Clerk Kaba in the tune of US\$1,500.00, there was also no evidence of receipt by the National Legislature for the sum of US\$76,900.00
21. Additionally, the petroleum contracts of Broadway PLC and Oranto Petroleum Ltd. consequently approved should be nullified by the National Legislature due to the process being compromised by bribery and thereby denying an assurance that the contracts were ratified for the benefit of the Liberian people. Management provided a mere justification that giving funds to the National Legislature in a manner not consistent with public sector transparency and accountability was "common law practice" in Liberia. This explanation can neither be sustained administratively nor judicially when challenged on the merits, as the legislators have denied receiving any monies except that I have irrefutable evidence that US\$40,000.00 was received by a Legislator and US\$1,500.00 was received by the Chief Clerk. This was influencing peddling, thus denying assurance on value for money in these two contracts ratified and signed into law.

Governance Issues

Irregularities noted with Board activities

22. A number of irregularities were noted with the operations of NOCAL's Board. Inclusive in these irregularities was Management's decision to procure a twin cabin-pick-up valued at US\$34,500.00 for the Board's Chairman. This was an act not supported by NOCAL's guidelines or any other policy of the Company.
23. NOCAL Board made several changes in the fees paid to the Board. Fees paid since 1 July 2006 to 2008, ranged from US\$1,000.00 per quarter in 2006 to US\$2,000.00 in 2007 and

US\$3,000.00 in 2008. It was unclear what considerations underpinned the changes in the remuneration.

24. Additionally, a quarterly allowance of US\$ 2,050.00 was paid in advance to a Board member contrary to the Act creating NOCAL. The said amount was also wrongly charged to the Company's Board expense account instead of a receivable account. It was also noted that NOCAL's President/CEO was paid Board remuneration, a benefit not approved by NOCAL's Enabling Enactment. Furthermore, Management did not deduct taxes amounting to US\$10,025.54 (Ref. **Annexure 12**) from the fees paid to Board members. Taxes were also not deducted from the Board's remuneration paid to some senior management staff of the Company.
25. The inability of Management and the Board to adhere to control procedures and provisions contained in the Act establishing NOCAL undermined the efficient financial management of the Company which impacted the effective implementation of budgeted activities. Accordingly, I recommend that Management operates within the existing legal framework insofar as the payment of Board remuneration is concerned. NOCAL Board should avoid allotting funds in the budget of the Company for unjustified expenditures. The amount of US\$10,025.54, being income taxes that the Company defaulted in paying to the Government of Liberia, should be paid to the Ministry of Finance by Management, as required by the Revenue Code of Liberia, 2000. The irregular Board remuneration totalling US\$12,500 and US\$3,100.00 paid to NOCAL's President/CEO and other senior personnel respectively should as well be refunded to the Company. Note, I did not deduct the income tax on the irregular payments made to the CEO and others as they are being held accountable.

Illegal Constitution of NOCAL Board of Directors, Capitalization and Setting of Strategic Goals

26. Contrary to the provisions of NOCAL Act that the President of Liberia shall appoint the Chairman and members of the Board of Directors as well as the President and Chief Executive Officer of the Corporation, I observed that it was only the Board Chairman who was appointed by the President. The rest of the Board Members were appointed by Morris G. Saytumah, Minister of State for Finance and Legal Affairs.
27. For the appointment of the Chief Executive Officer, Vice Presidents and other Executive Officers of NOCAL, the President of Liberia directed that a Search Committee be constituted to effect those appointments. However, I did not sight evidence indicating that the Board ever constituted the Search Committee to undertake the appointments as directed by the President.
28. Besides, neither the Management nor the Minister of State for Presidential Affairs, upon request, presented evidence to me to show that the current Board took stock of NOCAL's performance and set Strategic Goal or Direction for the Company as directed in the President's appointment letter of the Board's Chairman.
29. Additionally, there was no complete documentation on capital injections made by the Government of Liberia into the Company since its creation in 2000. My review indicated that so

far US\$ 326,604.56 had been injected, which exceeded the proposed initial capital of US\$250,000.00 as stipulated in the Act by US\$ 76,604.56. NOCAL was yet to issue to GOL, stock certificate as a proof of Government's Investment in the Company. The amount paid by Government is also not reflected in the financial statements.

30. Improper composition of NOCAL Board in consonance with the provisions of NOCAL enabling enactment as well as the non-selection and appointment of the Company's President, Vice President and Executive Officers on the basis of the President's directive could hamper the operations of the Board, Management and by extension the Company. This is because the liquid and gaseous hydrocarbon industry is highly technical and therefore NOCAL's Board and Management should have the requisite knowledge and technical know-how as necessary for the effective, efficient and economic development and exploitation of Liberia liquid and gaseous hydrocarbon resources.
31. Also the Board's failure to produce and submit to the President of the Republic of Liberia, a report on Strategic Goal or Direction for NOCAL, constitutes a monumental failure. This is because, in my view, such a report is urgently required to inform GOL's decision on early development and exploitation of Liberia liquid and gaseous hydrocarbon resources. It was also intended to serve as a guide for NOCAL performance over a period of time, thus ensuring that funds expended are done consistently with its Strategic Plan.
32. Furthermore, inaccurate knowledge of GOL investment in NOCAL could be detrimental to the Company's interest as well as that of taxpayers' in a situation where the GOL decides to pursue joint ventures with other partners for the early development and exploitation of Liberia's liquid and gaseous hydrocarbon potential, a trend that is prevailing worldwide. In that event, NOCAL's worth may be under-valued.
33. Accordingly, I recommended, among other things that NOCAL Management should document all GoL investments made in NOCAL and issue to GOL stock certificate in line with Section 6 of NOCAL's Act. NOCAL Board should also, as a matter of urgency; compile the strategic plan requested by the President and through that determine how much by way of injection will be required from the GOL or other partners, for the early development and exploitation of Liberia's liquid and gaseous hydrocarbon resources. Additionally, a review of the composition of NOCAL Board and Management should be made by the President, bringing into the Board and Management, Liberians with the requisite skills in liquid and gaseous hydrocarbon development and exploitation in line with Section 7 of NOCAL's Act. The appointment of all board members should be regularized, with appointment letters duly signed by the President of Liberia as indicated in Section 6 of the Act that created NOCAL.

Administrative Matters

Irregularities Noted with Procurement of Goods

34. Fuel Slips/Coupons used within NOCAL were internally printed by the Company and not serially pre-numbered. The Human Resource Manager was assigned the sole responsibility of managing the Company's fuel supplies in respect to order, custody, handling and distribution of

fuel coupons/slips. The process of single management of the fuel supplies made it impracticable to verify the quantity of coupons purchased and quantity distributed during the period under review. Additionally, in the procurement of fuel/gas for NOCAL, the provision of Section 53(a) of the PPC Act of 2005, which requires the use of the quotations and shopping method, were not complied with. As a result, procurement was carried out without due procedures being adhered to and therefore, I could not provide assurance that value for money was achieved in the supplies obtained.

35. Accordingly, I recommended that Management stop the self printing of its fuel/gas coupons and subsequently procure coupons from reputable vendors while also ensuring that coupons are serially pre-numbered on both the stub and the coupon. The procurement and distribution of coupons should be handled by separate personnel and supplies should be procured consistent with the provisions of the PPC Act.

Management Assistance Plan

36. Though there was no framework established by the Management of NOCAL to determine the nature of assistance that could be granted under its Management Assistance Plan as well as thresholds that disbursements on the Programme may be limited to, management paid US\$5,000.00 to a Senior Geologist of the Company as "assistance for relocation". In furtherance of the irregularity noted above, there was also no evidence of related documentation accounting for the disbursement.
37. The granting of assistance to personnel of the Company, not on the basis of a well-documented framework approved by NOCAL Board, could provide opportunities for the abuse of the Company's funds. As a result, I recommended that Management discontinues the Management Assistance Programme, pending the compilation and approval of a well documented framework that would govern every aspect of the assistance for re-allocation by NOCAL's Board. The framework should also take into consideration, the current financial position of the Company.

Internal Control-Related Issues

Non-Establishment of Internal Audit Unit within NOCAL

38. For the period under audit, Internal Audit Department (IAD) was not established within NOCAL. An Audit Committee neither existed at the level of NOCAL's Board. As the IAD is an independent review mechanism established by Management to oversee the attainment of the entity's overall objectives in an orderly, efficient, economic and effective manner, the non-existence of an IAD is a drawback to the Company's attainment of its objectives.
39. I therefore recommended that Management ensures an early establishment of an Internal Audit Department under a qualified auditor to supervise the efficient functioning of the Department. I supported NOCAL Management's efforts to draft the Terms of Reference for the head of the Internal Audit Department. Management is in the process of setting up an IAD.

Absence of Financial Regulations and Accounting Manual

40. NOCAL did not provide evidence that it has Financial Regulations and Accounting Manual. The manual is required to provide guidance to finance staff in the discharge of their functions. The absence of the financial regulations and rules governing the operations of the Company that would have outlined procedures, processes and controls for the Company's activities, placed the control and management of revenue and disbursement of funds at the discretion and personal judgment of Management. This omission also provides opportunity for errors, fraud, waste and other malpractices.
41. Management, in consultation with the Board of Directors, should constitute a committee made up of professionals to draft financial rules and regulations for the approval of the Board.

Non-Compilation of Bank Reconciliation Statements and Inadequate Accounting Documentation

42. NOCAL did not maintain either general or subsidiary ledgers; neither did it compile bank reconciliation statements for NOCAL's bank accounts during the period under audit. The non-compilation of bank reconciliation statements indicates that irregular dealings of the Company through bank may not be promptly uncovered.
43. The Comptroller has been advised to ensure that the Company's accounts are reconciled monthly through the use of bank reconciliation statements and that these statements should be reviewed by him and signed off by the Vice President for Finance and Administration. Additionally, appropriate ledgers should be considered for use by the Company.

Accountability for NOCAL Assets

44. NOCAL assets did not have on them appropriate identifiable markings in the form of numbers or code to indicate that the coded items are the properties of the entity. The assets were however embossed with removable stickers bearing the Company's name. Assets purchased by the Company were also not properly listed in the Fixed Assets Register. Furthermore, there was no policy on the disposal of NOCAL's Assets.
45. Additionally, eight pieces of equipment and nine pieces of furniture listed on NOCAL Fixed Assets Listing were not presented for physical verification. Management disposed off five of the Company's vehicles without following PPC Act disposal provisions. Management did not provide evidence that the process leading to the disposal of government asset as clearly defined under Part VII Section 123 and 124 of the PPC Act of 2005 was adhered to. I was, thus, unable to provide assurance that the Company's Assets were properly safeguarded and accurately disclosed in NOCAL's final accounts.
46. I recommended therefore that NOCAL General Services Department embark on an exercise to emboss all assets of the Company; this exercise should involve the update of the Fixed Assets Register with a policy on the disposal of fixed assets instituted by the Board. This will ensure that the service potential of the Company's assets is exhausted before replenishment. Also Management should provide substantive evidence on the where-about of the five vehicles,

eight equipment and nine pieces of furniture pieces which it could not present for physical verification.

Irregularities Noted With Travels

47. Travel advance payments totalling US\$136,584.78 (Ref. **Annexure 14**) granted to NOCAL officials for various assignments outside the city of Monrovia were not retired. Also several travels by officials of NOCAL between October 2006 and April 2008 funded at the total cost of US\$ 13,421.61 were not supported by relevant documentation, such as invitations and approval letter of foreign trips, copies of travel documents that were provided including boarding passes and used ticket stubs and photocopies of passport could not be matched with the payment vouchers provided for audit. The lack of these documents denied assurance that travels were actually undertaken by the officials of the company.
48. Additionally, NOCAL established and used rate of per diem not provided for in the extant Executive Ordinance No. 8 for payment of both management personnel and other personnel of the Company, who undertook foreign travels during the period under review. In almost all cases of foreign travels made from July 2006 to June 2008, NOCAL management did not comply with section 54 (1,4) of the PPC Act and Executive Ordinance NO.8. Management bought air tickets from airlines without adhering to the prescribed procedures of obtaining at least three (3) quotations from vendors.
49. Furthermore, by the terms of the contracts entered into with, Oranto Petroleum Ltd and, ROPSOL separately, the parties were supposed to fund travel and other related costs of NOCAL personnel who travelled to attend meetings held outside Liberia. NOCAL advanced US\$55,044.05 and US\$ 71,080.28 to its personnel attending such meetings on behalf of Oranto Petroleum Ltd and ROPSOL respectively. However, these advances were not recovered from Oranto Petroleum Ltd and ROPSOL up to the time of audit reporting.
50. Management's non-compliance with the existing regulatory framework on payment for foreign travels would cost the Company substantially and unnecessarily, if the noted lapses were not addressed. It is therefore recommended that Management strictly complies with the Guidelines and Procedures on Per Diem and Allowances specified in the extant Executive Ordinance No. 8 and 9 issued by the Government of Liberia. The President and Vice- Presidents of the Company are also required to produce approval of their foreign trips by the Board; all costs of unapproved trips should be borne by the officials involved and not charged to the Company's account. Oranto Petroleum Ltd and ROPSOL should also refund US\$55,044.05 and US\$ 71,080.28 respectively to NOCAL, being travel advances to NOCAL personnel, which they were under obligation to meet.

Financial Matters

Discrepancies in Reported Revenue

51. Three bank accounts maintained by NOCAL at Ecobank for 2006/2007 fiscal year indicated that NOCAL had total revenue collections of US\$1,059,185.61 as opposed to the US\$742,339.92 reported in the 2006/7 Income Statement, thus reflecting a variance of US\$ 316,845.69.

Similarly, my analysis of revenues for 2007/8 fiscal year revealed total revenue of US\$3,200,438.30; NOCAL, however, reported US\$ 2,627,081.23 for 2007/8, again resulting to a variance of US\$ 573,357.07 of under-reporting. **Ref: Exhibit 6**

52. Similar discrepancies were noted with GOL subsidy to NOCAL, receipts from TGS-NOPEC and Miscellaneous Revenue in the financial statements. GOL subsidies to NOCAL and receipts from TGS-NOPEC were reported in the financial statements as US\$154,705.21 and US\$8,568.51, instead of US\$154,281.64 and US\$5,408.54 respectively. Because management did not use CBL exchange rate between the LD and US\$, GOL Subsidy to NOCAL was under-stated by US\$7,324.87 in the financial statements. Furthermore, US\$5,000.00 collected from Broadway Consolidated PLC as reception presentation fees were not reported in the final accounts of the Company.
53. Inconsistencies in records of revenue collections, as exemplified by revenues reported in the Income Statements for the fiscal years 2006/7 and 2007/8 being different from revenues attained and derived from bank statements and other source documents. These omissions on the part of the Management are indication that there were material misstatements in NOCAL revenue reported. I therefore recommended, among other things that NOCAL Management set up a task force to investigate each and every anomaly conveyed in this report, document every discrepancy arising from the investigation and pursue the noted discrepancies to their logical conclusion. The outcomes from the investigation should be used to update related accounts and the financial statements. The outcomes from the investigation should be conveyed to the Auditor-General, including the investigation documentation.

Personnel-Related Costs Reported in Financial Statements.

54. Analysis of NOCAL's budget and financial statements for the periods under review indicated that payroll costs were not supported by records substantiating the payments. Additionally, US\$38,610.00 and US\$42,350.00 paid as allowances to employees in 2006/2007 and 2007/2008 respectively, were not reflected in the financial statements, despite being budgeted for. Also Social Security contributions amounting to US\$1,365.35 withheld from July 2006 – January 2007 were not remitted to NASSCORP, but were later refunded to the employees that had contributed to the Social Security scheme.
55. Income taxes deducted from employees between July 2006-June 2007 and July 2007-June 2008 were also not promptly remitted to the Ministry of Finance as required by the Revenue code. I noted 10 months of delay in remitting withholding taxes to the Ministry of Finance. Unpaid Income Taxes which amounted to US\$4,313.30 due the Government of Liberia for the period of July 2006 to June 2008 was still outstanding at the time of reporting. There is a potential risk that, the employees of NOCAL might not derive their retirement benefits due to Non-payment and deductions of Social Security contributions from employee's monthly earning by Management. The delay and non-payment of Withholding Taxes on the timely basis could also deny GOL of the required revenues which may also cause NOCAL to pay unnecessary penalty for late payment.

56. On account of the foregoing, it is recommended that Management should strengthen supervisory and managerial controls over the accounting function, to ensure its accuracy and completeness. Also NOCAL should immediately remit the withheld income tax to the Ministry of Finance, including the necessary penalty for late payment. Management should avoid the late payment of withholding tax and promptly remit Social Security deduction to NASSCORP.

Disbursements without Authority

57. US\$41,980.07 paid to the General Revenue Account of the GOL, representing customs charges, was not approved by the appropriate authorities and supported by relevant disbursement vouchers (DVs). During the two fiscal years under review, a total of US\$54,172.45 was expended without relevant DVs supporting the expenditures. Also, contrary to NOCAL established procedures, disbursements totalling US\$32,034.79 & L\$2,470.00 were made without the approval of the President of NOCAL.
58. NOCAL transactions' non-conformity with established procedures and absence of DVs to support expenditures denied assurance on the validity of transactions undertaken accordingly; Management is advised to strictly adhere to control procedures regarding the certification and approval of DVs.

Statement of Accountability

59. Section 53.7 of the Executive Law of 1972 provides the minimal reporting requirement. It mandates me to report the following:
- Any officer or employee who has wilfully or negligently failed to collect or receive monies belonging to the Government.
 - Any public monies not duly accounted for and paid into an authorized depository.
 - Any appropriation that was exceeded or applied to a purpose or in manner not authorized by law.
 - Any deficiency or loss through fraud, default or mistake of any person.
 - Inadequate or ineffective internal control of public monies and assets. When appropriate, the report shall also include recommendations for executive action or legislation deemed necessary to improve the receipt, custody, accounting and disbursement of public monies and other assets.
60. Overall, both financial and administrative activities undertaken by NOCAL's Management during the period under review were characterized by a number of financial irregularities and control deficiencies. The irregularities noted amounted to **US\$406,384.26** and L\$15,315.00. The irregularities noted were derived from irregular payments on foreign travels, Board expenses, lobbying fees and unreported revenues as well as anomalies in the procurement of goods and services undertaken by management. This amount does not include the US\$1,266,102.59 to be restituted by TGS-NOPAL.

DETAILED REPORT

Introduction

61. I have audited the accounts and other related records of NOCAL covering the period July 1, 2006 to June 30, 2008. The audit was commissioned on October 15, 2008 under my statutory mandate as provided for under Chapter 53.3 of the Executive Law of Liberia of 1972. Since its establishment nine (9) years ago, this is the first audit of the Company's accounts by the GAC.

Background of NOCAL

62. NOCAL was established in April 2000 by an Act of the National Legislature, amending the 1972 Executive Law of Liberia to hold all of the right, title and interest of the Republic of Liberia in the deposits and reserves of liquid and gaseous hydrocarbons within the territorial limits of Liberia; whether potential, proven, or actual with the aim of facilitating the development of the oil and gas industry in Liberia.
63. The functions of NOCAL are to organize, conduct, arrange, and supervise all relevant research and exploration for liquid and gaseous hydrocarbons in Liberia. It also conducts research and undertakes planning for the orderly, rational and optimized development of petroleum and the energy requirement of Liberia.

Management Personnel

64. For the periods under audit, NOCAL had a seven-member Board with Clemenceau B. Urey, Sr. as its Chairperson. The following senior management personnel handled the administrative and financial affairs of the Company during the periods:

Table 1: Senior Management Personnel of NOCAL for the Period under Audit

No.	Name	Position	Periods
i.	Dr. Fodee Kromah	President/CEO	April 2006-present
ii.	Marie E. Leigh-Parker	Vice President for Admin. & Finance	April 2006-present
iii.	Jacob S. Sandikie	Vice President for Technical Services	April 2006-present
iv.	Fulton D. Reeves	Comptroller	Sept.2006-present

Scope and Objective of the Audit

65. The audit objectives are:
- Identifying the main sources of revenue of the Company, ensuring that all inflows accruing to the Company within the periods under review were accounted for.
 - Determining share of revenues receivable from various Oil Companies, ensuring that revenue shared were in accordance with the terms of the contract/MOU signed by NOCAL and the Oil Companies.
 - Ascertaining that expenditure incurred by the Company during the period under review was valid and disbursed in accordance with the objectives of NOCAL.

- Determining that material procurements undertaken by the Company were in accordance with the provisions of the Public Procurement and Concession (PPC) Act, 2005.
- Ascertaining whether procedures pursued by the Company ensured due safeguarding of its assets, the accuracy and reliability of its financial records, orderly and efficient operations as well as prompt reporting of deviations and irregularities.
- Determining if the accounts maintained by NOCAL and the financial statements derived there-from are in accordance with Generally Accepted Accounting Principles (GAAP) and the enabling Act of NOCAL.

Audit Methodology

66. I conducted the audit in accordance with auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI). These standards require me to obtain reasonable assurance that the financial statements are fairly presented.
67. I adopted a risk-based approach. During the planning process, I assessed the legal, business and control environment of NOCAL through which inherent and control risks impacting the Company's operations were identified. The audit methodology was thus chosen to address the risks identified with NOCAL's operations. The methods used included:
 - Documentation review;
 - Interviews;
 - Ascertainment and evaluation of relevant systems and controls; and
 - Substantive, compliance and analytical review procedures.
68. I conducted interviews with key officers of the Company to ascertain the extent of compliance in the application of procedures outlined in the following referenced materials and related regulations:
 - NOCAL Enabling Enactment;
 - Revenue Code of Liberia 2000;
 - Government Executive Travel Ordinance 8 & 9;
 - PPC Act 2005; and
 - Standard Operational Procedures of NOCAL.
69. I also carried out a walkthrough and functional tests to confirm and ascertain the effectiveness of systems, control procedures and policies. Where deviations were noted, their impact on the controls were assessed and factored into the audit programs.
70. Substantive tests were performed to ascertain the reliability and accuracy of assertions made in the financial statements. These were carried out on the basis of risk analysis and involved the checking of individual transactions.

71. As the auditor of NOCAL, it is my responsibility to provide stakeholders with reasonable assurance as to the validity of assets owned by the Company. To this end, I conducted physical inspection of the Company's Long Term Assets.
72. I sent a team of auditors to Houston, Texas, twice to conduct this audit, including the examination of the extent of compliance with contractual arrangements between TGS-NOPEC and NOCAL.
73. As part of my reporting procedures, audit findings were first discussed with desk officers and their supervising officers and where appropriate, Audit Observation Memoranda were sent to the Vice President for Administration & Finance and copied to the President/CEO. I also submitted for management's response, the Draft Management Letter. The responses from desk officers and Management have been duly evaluated and incorporated in this final report.

Scope Limitation

74. The audit was hindered by the company's inability to provide me with the general ledger records, bank reconciliation statements, notes on the consolidated Financial Statements, and depreciation schedule of fixed assets. I was therefore unable to ascertain the Company's cash position at the close of the fiscal periods, trace transactions from ledgers to the final accounts, determine the composition of line items aggregated in the Financial Statements, and perform detail analytical reviews.

Limitation of Responsibility

75. I reviewed the systems and management controls operated by NOCAL only to the extent I considered necessary for the effective performance of this audit. As a result, my review may not have detected all weaknesses that existed and my recommendations may not include all improvements that could be made. I have prepared this report solely for the use of the Board of NOCAL, the president of Republic Liberia and the National Legislatures for policy and administrative actions. It is therefore a public document.
76. Moreover, the responsibility to ensure effective systems and controls for operational efficiency and for the prevention and detection of fraud, compliance with Government of Liberia extant laws and regulations, and to ensure that all information is made available for audit rested with NOCAL's Management.
77. My responsibility was to report thereon. That is, to provide assurance that all dealings of the Company had been carried out in accordance with extant laws, regulations, laid down policies and procedures for the purposes intended and financial transactions were properly accounted for.
78. I have endeavoured to hold officers accountable for the period under audit in accordance with section 53.7 of the 1972 Executive Law. Section 53.7 (d) stipulates that I should hold accountable any person who has caused a deficiency or loss through fraud, default or mistake.

DETAILED FINDINGS AND RECOMMENDATIONS

Operational Matters

Liberia 2D Seismic Data Sales: Performance of Sales Contract

Observation

79. Between 2002 and 2007, one Memorandum of Understanding (MOU) and two amendments regarding the sale of Liberia 2D Seismic data were entered into by and between the National Oil Company of Liberia (NOCAL) and TGS-NOPEC Geophysical Company based in Texas, United States of America. Under the auspices of NOCAL, TGS-NOPEC acquired, processed, and interpreted approximately 9,382 kilometres of 2D seismic data from the deep water offshore of Liberia.
80. Under the first MOU dated 30th November 2002, TGS-NOPEC was authorized to market the data, pursuant to the terms and conditions agreed upon by both parties. Relevant sections of this agreement are stated hereunder:
- TGS-NOPEC shall acquire all data in Liberia waters owned by NOCAL and TGS-NOPEC shall be reimbursed in the amount of US\$6,400,000.00 for the costs associated with the seismic survey, data acquisition, and marketing.
 - Upon full payment and or reimbursement of US\$6,400,000.00, the entire data, in either electronic or physical form, and all copies thereof in the possession of TGS-NOPEC, together with the right to market same shall be immediately delivered to NOCAL.
 - The amount of US\$6,400,000.00 shall be paid to TGS-NOPEC at the conclusion of the acquisition, processing and interpretation of the data, primarily from proceeds generated by the licensing of the seismic data, in the form and manner as follows:

NOCAL	TGS-NOPEC
50%	50%

- If TGS's share of 50% of the total sales realized does not complete the payment of the US\$6,400,000.00 owed to TGS-NOPEC within the period of (12) months of the date of signature of the MOU, then NOCAL shall pay and underwrite the balance not covered.
- TGS-NOPEC shall assist NOCAL in contracting the services of qualified consultants in drafting or reviewing of Liberia's Petroleum Code and Production Sharing Contracts (PSC) in order to make same consistent with internationally accepted standards. TGS-NOPEC shall pay all agreed fees of such consultants directly to the consultants, on behalf of NOCAL, with the cost of consultancy fees being inclusive of the US\$6,400,000.00 compensation to TGS-NOPEC.

- As part of the US\$6,400,000.00 compensation to TGS-NOPEC, TGS-NOPEC shall at the direction of and in consultation with NOCAL, prepare and arrange the organization of the presentation of Liberia's data and the bid rounds to the International Oil and Gas Exploration and Production Industry.
 - The cost associated with the two (2) conferences or presentation to be held in London and Houston, USA, which is inclusive of the US\$6,400,000.00, shall be borne by TGS-NOPEC.
81. The second MOU dated 27 January 2004, though similar to the provisions of the first agreement/MOU, had the following amendments:
- TGS-NOPEC and NOCAL agreed to create an Escrow Account in the name of NOCAL into which NOCAL's 50% share of each SALE shall be deposited. NOCAL shall be allowed to request from TGS-NOPEC withdrawal of its monthly operating expenses from the said Escrow Account, which shall, under no conditions, exceed withdrawal of more than US\$60,000.00 in any one given month.
 - If TGS-NOPEC is not paid the full sum of US\$6,400,000.00 through its 50% share of all SALES by 30 November 2004, the balance in the Escrow Account shall be paid to TGS-NOPEC and all SALES shall be split 90%/10% in favour of TGS-NOPEC until TGS-NOPEC's full amount of US\$6,400,000.00 is recouped.
82. Ultimately, the MOU dated 27 January 2004 was later amended on 26 November 2007 and contained the following in its scope:
- TGS-NOPEC/NOCAL shall charge the clients a survey management fee of 15% on the total cost of the survey which would be shared 60%-TGS-NOPEC, 40%-NOCAL.
 - Data Trading Fee of US\$500.00 per Sq.km/company and Companies licensing data outside of their permit shall be charged on an Open Block Licensing Fee of US\$2,000.00/sq.km.
 - Trading, Licensing, Open Block Licensing and all other fees received by TGS shall be shared 40%-NOCAL; 60%-TGS-NOPEC.
 - TGS-NOPEC shall advance the sum of US\$250,000.00 per month to NOCAL, for the period of twenty four (24) months. TGS will recover this advance without interest from NOCAL's share of the survey management fee at the rate agreed upon by both parties.
83. On the basis of the above, I have examined TGS-NOPEC financial records, including supplementary agreement for license of geophysical data, invoices and bank withdrawals and debits, pertaining to the sale of Liberia's Seismic Data during the periods under review. My examination revealed a number of omissions that are considered below.

NOCAL Share of Revenue Under-remitted

84. Though the 2002 MOU provided that NOCAL shall be paid 50% share of proceeds generated by the licensing of the seismic data, it was observed that a 10% share instead was remitted to NOCAL account. As a result, US\$305,680.03 covering transactions undertaken from 2002 to 2008 payable to NOCAL had not been remitted to NOCAL.
85. Inclusive of this amount was the miscellaneous receipts associated with the sales of seismic data, which were not reported to NOCAL. It was also determined that in line with best business practice, the payable amount should have accrued an interest of US\$42,795.20 thereon (i.e. 14%, the lending rate of CBL for commercial banks) as a consequence of TGS-NOPEC withholding of NOCAL portion of revenue from 2002 to 2008, thus increasing the amount due to NOCAL to US\$348,475.23. Ref: **Annexure 3A**
86. On the basis of the above, it is concluded that TGS-NOPEC disregarded the provisions of the MOUs which were intended to facilitate the development of the Oil and Gas Industry in the Republic of Liberia thereby accruing economic benefits for the country.

Delay in Remittance of US\$1,034,858.31 to NOCAL

87. It was observed from the review of cash receipts and bank transactions/**advices** that TGS-NOPEC failed to remit to NOCAL, its share of revenue amounting to US\$1,034,858.31 based on the provisions of the agreements. According to TGS-NOPEC and based on calculations authenticated by the audit, US\$1,928,956.50 was realized by NOCAL from the sales of 2D seismic data during the period 2002 to 2008 on the basis of the provisions of the MOU. Of this amount, TGS-NOPEC remitted US\$894,098.09 to NOCAL from November 2003 through December 2007, thus leaving an unexplained difference of US\$1,034,858.41.
88. My review further indicated that though TGS-NOPEC failed to remit the revenues as they were due, the balance of US\$1,034,858.31 was later remitted to NOCAL in October 2008 without the accrued interest. The implication is that TGS-NOPEC did not remit NOCAL share into the Escrow account as required by the MOU and NOCAL revenue was retained by TGS-NOPEC. Therefore, TGS-NOPEC shall be required to pay interest on the US\$1,034,858.31 (i.e. 14% of unremitted revenue); the accrued interest amounted to US\$144,880.17 as charges for withholding NOCAL's share of revenue from the sales of the 2D seismic data.

New Revenue Sharing Fee Established Without Formal Agreement

89. Further review of records indicated that both TGS-NOPEC and NOCAL did not draw up an agreement that would have amended the section regarding revenue sharing of the 2004 agreement when the agreement had expired and the provision for the division of resources in favour of TGS-NOPEC was nullified.
90. Financial transaction, with legal implication that is undertaken on behalf of the Government, shall clearly have the terms and conditions mutually understood and agreed by the parties. It must be binding and supported by a formal agreement (Memorandum of Understanding), as this would avoid the possibility of inequity in the distribution of revenue.

91. There was no evidence of a further agreement following the expiration of the 2004 agreement. However, it was observed from a letter dated 4 December 2008 bearing the signature of the CEO of NOCAL, Dr. Fodee Kromah, that though TGS-NOPEC was instructed to forward NOCAL 60% as was agreed upon, there was no evidence of an agreement on which the 60% share of revenue was established. **Exhibit 3.**
92. For purpose of validating the revenue sharing (distribution) between NOCAL and TGS-NOPEC, additional records/ information beside the letter provided to the audit team was requested. The verbal response received was that "there are no records. TGS-NOPEC management executed a verbal arrangement with NOCAL President/CEO in respect of the distribution of revenue generated from the sales of Liberia's Seismic data through a telephone conversation". This was the response of Edward Neese, the Vice President of TGS-NOPEC.
93. The instruction of the President/CEO of NOCAL which allowed TGS-NOPEC to collect 40% share of revenue from the account of NOCAL without a formal agreement being approved by the Board of NOCAL with the consent of the President of Liberia does not conform to a prudent means of formal agreement. NOCAL's Enabling Enactment explicitly vests such power in the Board.
94. Following the fact that the 60%:40% distribution of revenue was made without a formal agreement, the following was assessed based on the letter from the President of NOCAL:
 - The amount of US\$799,301.00 was analysed (i.e. revenue generated after the expiration of the 2004 agreement) as indicated in the Ref. **Annexure 3B.** The analysis revealed that an additional amount of US\$264,650.50 was due NOCAL, which should be remitted to NOCAL's account.
 - An outstanding sales made to a customer in the amount of US\$135,000.00 was also analysed as indicated in Ref. **Annexure 3B.** The outcome of the analysis produced a variance of US\$67,500.00 also due to NOCAL. This should be remitted into NOCAL account pending its collection from the customer by TGS-NOPEC.
95. Moreover, considering NOCAL as a public entity, the regularity of its operations is very critical. It is worth noting that all economic benefit accruing to NOCAL are essential for facilitating the development of the oil and gas industry in the Republic of Liberia. This explains why the provision on the determination of revenue distribution in respect of sales generated from the licensing and marketing of Liberia's Seismic data payable to TGS-NOPEC must be thoroughly reviewed and duly approved and documented as a formal agreement and not on the basis of a verbal agreement. Thus, this aberration should be addressed in order to avoid NOCAL, and indeed GOL, losing the required revenue from the sales of the 2D Seismic Data.

TGS-NOPEC and NOCAL Failure to Establish Escrow Account per MOU

96. As indicated earlier, TGS-NOPEC and NOCAL agreed to create an Escrow Account in the name of NOCAL into which NOCAL's 50% share of each SALE shall be deposited. Contrary to the provision above, it was observed that TGS-NOPEC and NOCAL did not establish the Escrow

Account which would have allowed NOCAL to draw on its monthly operating revenue, which was not allowed to exceed US\$60,000.00 in any given month.

97. The reason regarding the establishment of the escrow is to monitor the movements of funds within the account, thereby strengthening related internal controls. It is worth noting that, though the Escrow account was not opened, NOCAL Board and Management did not raise any issue with TGS-NOPEC.

Outstanding Revenues through TGS-NOPEC to NOCAL (US\$454,000.00)

98. The audit team also discovered two outstanding payments, totalling US\$454,000.00, from the Revenue Report of TGS-NOPEC and sales invoices submitted by TGS-NOPEC. This amount was owed by Mittal Investment and Hong Kong Tai Petroleum International Corporation and it was supposed to have been collected by TGS-NOPEC and remitted to NOCAL. Hong Kong Tai Petroleum owed US\$400,000.00 of the amount outstanding whilst Mittal Investment indebtedness stood at US\$54,000. The Hong Kong Tai Petroleum indebtedness had been outstanding since 26 September 2008 while that for Mittal Investment since 30 June 2008.

Risk

99. Non-compliance with the provisions in the MOU could lead to litigation that would undermine the effective execution of NOCAL's strategic goals, as NOCAL Board's and Management's time would be consumed on efforts to remedy the non-compliance.
100. Management's failure to diligently review the MOU and ensure compliance by the TGS-NOPEC could also result in under-remittance of NOCAL's share of revenues, thus increasing the opportunity cost for best alternative use of the funds.
101. Verbal agreements could have been made for the sole personal benefit of the CEO in the form of kickbacks.

Recommendation

102. The balance of revenue payable to NOCAL in the amount of US\$493,355.23 (derived from US\$305,680.03, representing NOCAL's Share of unremitted revenue and earned interest amounting US\$42,795.20 and US\$144,880.17, representing accrued interest as a result of delay in remitting of NOCAL's Share of the revenue by TGS-NOPEC for the period 2002 – 2008) should be remitted into NOCAL's Account by TGS-NOPEC.
103. The Board of Directors through the President/CEO of NOCAL should ensure that the US\$454,000.00 is collected by TGS-NOPEC from Mittal Investment and Hong Kong Tai Petroleum and remitted to NOCAL, with a copy of the payment sent to the General Auditing Commission within 45 days of receipt of this report.
104. NOCAL Board and CEO should examine and ensure that all provisions contained in the NOCAL/TGS-NOPEC MOU, including the revenue generated from the sales of Liberia's Seismic Data, are duly complied with.

105. Dr. Fodee Kromah, CEO of NOCAL should be held accountable as he did not provide substantive justification for allowing TGS-NOPEC to operate on a verbal agreement that required the sale of the seismic data on a 60:40 percentage basis. This is supported by the fact that Dr. Kromah, President of NOCAL instructed (based on a letter dated 3 October 2006) TGS-NOPEC to forward NOCAL's 60 percent share of the revenue. This confirms that Dr. Kromah was aware and did unilaterally enter into a verbal agreement with TGS-NOPEC, thus avoiding the authority of the Board of Directors and the consent of the President of the Republic of Liberia. The unilateral decision by Dr. Kromah to enter into a verbal agreement with TGS-NOPEC contravened provisions of the Act creating NOCAL, thus undermining the agreement.
106. TGS-NOPEC is required to remit to the account of NOCAL its share of 40% (US\$ 398,106.15) of revenue generated without a formal agreement, pending the approval of an appropriate compensation for the storage of Liberia 2D Seismic Data by the Board in consultation with the President of Liberia as required by the Company's enabling enactment. This requires a formal agreement drawn by the Board that would indicate TGS' share of revenue following the recouping of US\$6.4 million paid for data acquisition and marketing.
107. Dr. Fodee Kromah, the CEO, and the of Board of Directors of NOCAL should be held responsible for failing to open the Escrow Account as defined by the Agreement between NOCAL and TGS-NOPEC. The Board and Management of NOCAL should ensure the prompt opening of the Escrow Account and all remittances due NOCAL from TGS-NOPEC should be therein deposited.

TGS-NOPEC's Failure to Provide Accurate and Complete Underlying Accounting Records

Observation

108. Ledgers are at the heart of an entity's financial management, accounting and reporting system. It ensures accurate and reliable accounting records which facilitate the timely preparation and presentation of financial statements to stakeholders. Without general and subsidiary ledgers, it will be nearly impossible to prepare a trial balance and subsequently, financial statements that could be used to evaluate the validity and completeness of revenue reported for NOCAL. While general ledgers contain a summary of all transactions and control of the various subsidiary ledgers, sales journal provide details of all transactions of sales undertaken during a specific period.
109. On the basis of the above, TGS was requested to provide its general ledgers and related subsidiary records regarding the sales of Liberia's 2D Seismic Data to facilitate the validation of revenue generated from the 2D sale as reported in the revenue distribution Report of NOCAL and TGS-NOPEC consolidated financial statements.
110. In January 2009, my team of auditors went to Houston, Texas, USA and requested to examine the ledgers and subsidiary ledgers of TGS-NOPEC. TGS-NOPEC declined to provide access. On the second visit to Houston, TGS-NOPEC obliged and provided a set of records in electronic format, namely external revenues summaries for the periods, 2003, 2004, 2005, 2006, 2007 and 2008, and actual posted period transaction listing (records for 2002 were not provided).

111. The records received from TGS-NOPEC were inadequate and incomplete. The audit of TGS-NOPEC records regarding the distribution of revenue with NOCAL was not possible because the records received from the management of TGS-NOPEC did not indicate the details of the revenue generated for each given period, including the necessary adjustments that would have provided for discounts allowed and additional fees charged to the accounts of the various clients in the ledger.
112. The records provided also revealed summary of yearly revenue amount with no indication of references/ folios numbers, etc. These omissions could lead to a manipulation of the records. TGS-NOPEC when requested for the detailed account balances of the revenue distribution for the periods 2002 to 2008, including the journal entry of transaction data, provided a listing of client names, amounts and the period's accounts electronically posted on a sheet of paper without the necessary notes stating how the revenue shared was linked to the account balances.
113. Additionally, the aggregate account balances of the revenue distribution on the general ledgers submitted did not tally with the figures shown on the financial statements. TGS-NOPEC Vice President, Edward Neese, when queried on the variances, indicated that the company's consolidated final accounts were prepared at the Head office of TGS-NOPEC in Norway and that other revenue from different sources were incorporated in the revenue sharing account.
114. TGS-NOPEC report on Revenue sharing covering the period September 2002 through June 2008 indicated that total sales of the seismic data came to US\$9,290,853.42. However, the sales could not be substantiated without first reviewing the underlying records to the report, which were not made available to my team of auditors. Furthermore, records showing the reconciliation of a sale amounting to US\$14,829.40 generated on 17 September 2002 could not be provided for validation. As a result, I was unable to render opinion on the financial statements regarding the completeness of the revenue distribution of NOCAL.
115. As the External Auditor of NOCAL, my auditors were required to evaluate the evidence supporting the preparation of financial statements of TGS-NOPEC with regard to revenue generated from licensing Liberia's Seismic Data. Thus, TGS-NOPEC Vice –President, Edward Neese, contented that TGS-NOPEC could not provide the general ledger and other related records to my auditors on grounds that these records had financial information belonging to other countries and that disclosing such information to my auditors was inappropriate on his part. I also noted that some of the figures on one of the invoices and related documents were erased and tainted and this made the substantiation of revenue amount of US\$9,290,853.42 reported in TGS-NOPEC revenue sharing report without looking at its underlying records impracticable.

Risk

116. Prolonged delays in the collection and remittance of revenue could increase the risk of non-payments, thereby denying NOCAL the needed revenues to finance its operations.

117. TGS refusal to provide the underlying records seems to portray lack of transparency in its dealings with NOCAL. Why the Board and Management of NOCAL had permitted the occurrence of such dealings was unclear, as it had been evident to the Board and Management that such dealings by TGS-NOPEC would be financially detrimental to the Company. The revenue reports compiled by TGS as generated through the sales of the seismic data was incomplete and could not be reliable.
118. The inability to provide the general ledger and other financial records did have an impact on the audit work in determining the actual revenue generated from the sales of Liberia 2D Seismic Data. The omission could mislead NOCAL (owner of the Seismic Data), and thus impair its ability to determine the total revenues realized from the Seismic Data sale.
119. The omissions noted above would impact the reporting of NOCAL's operational results and financial position for the periods under review.

Recommendation

120. NOCAL President and CEO, in dealings with TGS-NOPEC, should establish and adhere to transparent processes in order to ensure that financial records and reports regarding NOCAL's revenue sharing with TGS are accurate and complete.
121. NOCAL President and CEO should consider in its agreement with TGS-NOPEC, regarding the development of the oil and gas industry in the Republic of Liberia, measures that would ensure an independent review and monitoring of accounting and reporting functions. This should be carried out in a timely and regular manner.
122. TGS-NOPEC should comply with the audit provisions contained in the MOU by providing the financial records required for the audit. The Board of Directors should nullify the agreement with TGS-NOPEC if it continued to refuse to provide the underlying ledgers and records to truly determine NOCAL share of revenue generated by TGS-NOPEC.
123. NOCAL Vice President for Finance should provide adequate supervision for staff involved in the recording of transactions so as to provide assurance on the reliability of the Company's financial reporting.
124. The necessary corrections to the omissions observed above should be made in the Statement of Revenue within 30 days upon receipt of this report.

Management's Response (TGS-NOPEC)

125. *We disagree with this finding. The operation agreement use in determining the appropriate revenue share for Liberia is the MOU dated January 27, 2004 ("2204 MOU") which replaces the MOU dated November 30, 2002. In the 2004 MOU, it states "NOCAL and TGS-NOPEC agree that if TGS-NOPEC is not paid the full sum of US\$6.4 million through its 50% share of all SALES by November 30, 2004, then the balance in the Escrow Account shall be paid to TGS-NOPEC and all SALES shall be split 90%/10% in favour of TGS-NOPEC until TGS-NOPEC's full US\$6.4 million is recouped."*

126. *The issue is whether the 90%/10% revenue split in favour of TGS-NOPEC is applied to "all SALES" including the sales going back in time to the very first sale made by TGS-NOPEC in 2002 or on sales going forward from November 30, 2004. In the sentence quoted above from the 2004 MOU, the term "all sales" is used specifically to define the sales up and through November 30, 2004."*
127. *The sentence then later states that "all SALES shall be split 90%/10% in favour of TGS-NOPEC." Because the same term is used in both places, it is correct to apply the 90%/10% to "SALES" made prior to November 30, 2004 as well as "all Sales" going forward. This conclusion is supported by the part of the quoted sentence where both parties agreed that the amount prior to November 30, 2004 that were segregated into the Escrow Account for NOCAL's benefit using the 50%/50% revenue sharing "shall be paid to TGS-NOPEC". If the sales prior to November 30, 2004 were to remain at the 50% / 50% split and only future sales were to be at the 90% / 10% split, then it would have been illogical for the parties to agree to pay TGS-NOPEC any portion of the Escrow Account.*
128. *For purposes of revenue sharing, the 2004 MOU defines SALES as "the price per kilometre that a client pays for the license of the data." Tape Copy, Product Charges, Report and Wells Log revenue are not included in the definition of a SALE. Further, the US\$6.4 million to be recovered was for "the costs associated with the seismic survey, data acquisition, processing, interpretation and marketing." The costs to provide these services were outside of the defined cost to be covered by the revenue sharing and thus, are 100% recoverable by TGS-NOPEC.*
129. *The 2004 MOU makes no provisions for either party earning interest on any balance owed by either party. Further, from November 2004 through December 2007, TGS-NOPEC had advanced more money to NOCAL than what NOCAL should have received from its 10% share of revenue. Thus, if there were to be interest paid, TGS-NOPEC would earn the 14% rate on the advances to NOCAL in this time period.*
130. *For most of 2008, TGS-NOPEC and NOCAL were negotiating on the appropriate level of revenue sharing for sales that occurred subsequent to TGS-NOPEC recovered US\$6.4 million. Because the parties were negotiating the revenue share percentage, it was unknown how much should be remitted to NOCAL. When NOCAL issued a letter dated October 3, 2008 agreeing to 60% / 40% revenue split in favour of NOCAL, there was no mention of paying interest on the revenue share for NOCAL. TGS-NOPEC did remit NOCAL's share within 45 days of receiving the letter approving the 60%/40% revenue split in favour of NOCAL.*
131. *We disagree with this finding and any, suggesting that TGS-NOPEC has "erased or tainted" invoices and documents with the intention of deceit or to defraud NOCAL of its appropriate revenue share. The 2004 MOU states "NOCAL shall have the right to audit the financial statements of TGS-NOPEC with regard to revenues from licenses of Liberia's seismic data." The term "with regard to" is defined in dictionary to mean "referring to" or "concerning." TGS-NOPEC has fully complied with this audit provision and has made available all documents "referring to" or concerning" Liberia seismic data including contracts, invoices, wire transfer and*

confidential. TGS-NOPEC will not provide a gross revenue general ledger report as this will contain confirmation information that doesn't refer to or isn't concerning Liberia seismic data.

132. *With regard to the suggestion that TGS-NOPEC has "erased or tainted" invoices and documents, we are within our rights to not share information pertaining to other data sales. In some instances, client made multiple purchases that were contracted for, under one agreement. TGS-NOPEC has redacted those portions of the contracts and invoices that don't refer to or aren't concerning Liberia seismic data.*
133. *We agree that neither NOCAL nor TGS-NOPEC established an Escrow Account in the form of a separate bank account. However, TGS-NOPEC did keep a detailed accounting of all Liberia seismic data sales, the revenue share amounts earned by NOCAL and the amount of funds that were advanced to NOCAL. Based on this detailed accounting, NOCAL has been paid 100% of the revenue share that it is entitled to by the 2004 MOU and the October 3, 2008 letter.*
134. *Under the heading labelled "Risk": the statement is made "The failure to provide the general ledger and other financial records impacted our work to determine the actual revenue generated from sales of Liberia seismic data." Other than the general ledger, TGS-NOPEC is not aware of any "other financial records" that have not been made available. We request that you provide a detailed list of those "other financial records" that are to determine actual revenue generated from sales of Liberia seismic.*
135. *With regards to the recommendations, TGS-NOPEC responds as follows:*
 - *We disagree with the conclusion that a balance is due NOCAL for reasons discuss above and we disagree with the concept of interest being owed to either party as the 2004 MOU makes no provision for interest.*
 - *We have fully complied with the audit provision to provide financial records that are referring to or are concerning Liberia seismic data sales. Please provide a list of "other financial records" that are not been made available and Ed Neese Vice President, Finance will be responsible for determining if any of other financial reports or documents can be provided.*
 - *We agree and have done so when requested by NOCAL. David Hicks, Vice President of AMEAP and Ed Neese Vice President, Finance will be responsible for promptly remitting NOCAL's revenue share on any future collected revenue for Liberia seismic data sales.*
 - *For 2D seismic data sales, the 2004 MOU is no longer the governing document. TGS-NOPEC will comply with the 60%/40% revenue split per the NOCAL letter dated October 3, 2008. David Hicks, Vice President of AMEAP and Ed Neese Vice President, Finance will be responsible for promptly remitting NOCAL's 60% revenue share per this letter.*

Auditor General's Position

136. In my opinion, the clarification provided by TGS-NOPEC Management on the provision of the financial records regarding the sales of Liberia's seismic data, that it has fully complied with the audit request to provide financial records concerning Liberia seismic data, was not made available to the audit team. The underlying records required for the evaluation of the integrity of the financial statements regarding the shared revenue with NOCAL Financial records referred to by TGS-NOPEC, which was provided to the audit team after a protracted delay, was a mere summary of yearly revenue amounts. The summarized amounts were not detailed and complete to be relied on to provide the necessary assurances that the reported figures presented a true and fair view of the sales of Liberia's Seismic Data.
137. The operating agreement used in determining the appropriate revenue share for Liberia is the MOU dated 27 January 2004 ("2004 MOU") which replaced the MOU dated 30 November 2002. The 2004 MOU, states "NOCAL and TGS-NOPEC agreed that if TGS-NOPEC was not paid the full sum of US\$6.4 million through its 50% share of all SALES by 30 November 2004, then the balance in the Escrow Account shall be paid to TGS-NOPEC and all SALES shall be split 90%/10% in favour of TGS-NOPEC until TGS-NOPEC's full US\$6.4 million is recouped." The non-establishment of the escrow account and provision of the requested underlying ledgers and records made it impracticable to adequately verify revenue that was declared by TGS for the period under review.
138. The definition of SALES for purposes of revenue sharing is defined in the 2004 MOU. The MOU did not exempt revenues from Tape Copy, Product Charges, and Report and Wells Log, as TGS-NOPEC would want me to accept.
139. Regarding the 60%/40% split of the revenue sharing, payments representing 40% share were made to TGS-NOPEC without a formal agreement. My recommendations are based on the identified irregularities that were not in accordance with the MOU and the Act creating NOCAL.
140. I agree with TGS-NOPEC's assertion that though the concept of interest on amount being owed to NOCAL was not provided for in the MOU, the MOU does not give TGS the right to withhold NOCAL share of revenue unnecessarily, thus denying the Government of Liberia needed revenue. There is a cost associated with holding NOCAL's funds, which is the interest rate indicated by the prevailing market rate at the time of determination of the amounts to be paid. As a result, I maintain my recommendation that TGS should pay the accumulated interest for unilaterally withholding NOCAL share of revenue.
141. TGS-NOPEC provided explanation to justify its collection of 90% share from the sale of Liberia's Seismic Data instead of 50% share. However, the justification given is not valid. The MOU of 2004 explicitly provides for TGS-NOPEC to receive a 90%/10% split in its favour after 30 November 2004, provided TGS-NOPEC is not paid the full sum of US\$6.4 million through its 50% share of all SALES by 30 November 2004. TGS-NOPEC violated this provision of the MOU when it started receiving 90% of the revenue instead of 50% as of 27 January 2004 – i.e. 10 months prior to 30 November 2004.

142. It was however important to note that TGS-NOPEC had, on account of the audit, remitted US\$1,266,102.59 of NOCAL share of revenue generated from the sales of 2D Seismic Data which has been outstanding from 2004, into NOCAL's account and since then, it has made prompt remittances of NOCAL's share of the revenue generated as exhibited in the bank transfer slip of the payment from TGS-NOPEC to NOCAL. **See Exhibit 1**

Payment of "lobbying fees" to National Legislature: US\$118,400.00

Observation

143. On the basis of the approval from the Board Chairman, Clemenceau Urey, a total amount of US\$118,400.00 was paid out of the account of NOCAL for what management termed "Lobbying fees" to some members of the National Legislature for the purpose of ratifying petroleum contracts that were pending at the National Legislature.

144. A review of DVs in conjunction with Board minutes disclosed the following irregular payments:

- Review of Board minutes indicated that on 15 May 2007, US\$32,000.00 was paid out of the Company's account to some members of the Legislature as first and second payment of lobbying fees for the ratification of Broadway PLC and Oranto Petroleum contracts; it was not paid to the National Legislature as an institution. The minutes also indicated that US\$50,000.00 was borrowed as a loan from LPRC and purportedly used for the same lobbying purpose. An advance payment of US\$26,000.00 by Oranto Petroleum was also used to pay as purported lobbying fees. The Board minutes did not indicate the source of the remaining US\$10,000.00 that was allegedly paid to some Legislators.
- NOCAL Management over-spent its approved budgetary allocation for expenditure by US\$32,400.00. It is apparent from my findings that the irregular transactions indicated above contributed to the expenditure over-run as observed. The Financial Comptroller, Fulton Reeves, also confirmed that the extra-budgetary expenditure occurred due to amounts paid that were not budgeted for.

145. Details of the irregular payments for purported lobbying fees are revealed in table 2 below:

Table 2 : Irregular Payments For Purported Lobbying Fees

Date	Name of Recipient	Voucher #	Check#	Amount-US\$	Comment
Sept. 19, 2006	Timothy Wiaplah	0500	486201	26,900.00	Amount was allegedly disbursed to the Legislators by NOCAL's Chief Accountant.
Aug. 28 ,2006	Timothy Wiaplah	0297	451866	50,000.00	The amount was allegedly disbursed to the Legislators by NOCAL's Chief Accountant
April 4, 2007	Alomiza Ennos Barr	0083	486255	40,000.00	The Honourable Member of the House of Representatives, Alomiza Ennos Barr, received

Date	Name of Recipient	Voucher #	Check#	Amount-US\$	Comment
					US\$40,000.00 from NOCAL.
April 17, 2007	James Kaba, Esq.	0095	486256	1,500.00	The Chief Clerk of the House of Representatives, James Kaba received US\$1,500.00 from NOCAL.
Total				118,400.00	

146. Representative Barr acknowledged receiving US\$15,000.00 of the US\$40,000.00, but she signed two separate receipts for US\$25,000.00 and US\$15,000.00 on the same day. I invited Representative Barr, Representative Rufus Neufville and other members of the Committee on Investment to my office to inquire about the US\$118,400, as Representative Barr had informed me that she delivered the funds to the Joint Committee of the House and Senate on Investments. At the time the payments were made, Representative Neufville was the Chairman of the Committee. During the discussion in my office, Representative Neufville admitted being the Chairman of the Committee at the time but he and other members of the Joint Committee denied ever receiving any money from NOCAL or Representative Barr.
147. I was also presented the receipt made by the Chief Clerk for the US\$1,500.00 he received from the money designated for "lobbying fees." On repeated attempts, Chief Clerk Kaba refused to indicate the purpose for which he received the funds.
148. Though the Board's Chairman intimated that the lawmakers requested for such an amount of funds from NOCAL to rapidly facilitate the ratification of contracts before the House, there were no documentation to indicate that the funds were requested by the Legislators. Moreover, NOCAL's Management did not provide documentary evidence to indicate who received the remaining amount of US\$76,900.00. The checks were however made in the name of the Company's Senior Accountant, Timothy Wiaplah, for disbursement to the intended Legislators.
149. Furthermore, review of Board minutes and supporting records relating to the payments of lobby fees to Legislators revealed that the President of Oranto Petroleum, Prince Arthur Eze also authorized the disbursement of additional funds to clerks and secretarial staff of the House of Representatives amounting to US\$1,500.00 in order to influence the decision of Legislators in ratifying the Oranto Petroleum Oil contract that was before the House. **Exhibit 2.** This amount was given to the Chief Clerk and he signed for it, as reflected in the preceding table. This also revealed that Oranto Petroleum Oil was aware and actively participated in the scheme to influence the passage of its Contract by the Legislators. This act contravenes the law and is punishable under sections 12.50 and 12.52 of the Penal Law of Liberia.
150. The justification given that the US\$118,000.00 was intended for Legislators to ratify the petroleum contracts was unreasonable and unclear given that the Legislators are public officials who are paid for services rendered to the Government. The alleged payment of such funds to the Legislators to perform their duties is improper and unjustified. They have pre-existing duty to perform as per their job and there was no need to offer them money individually to perform

their statutory obligation. But as indicated, the legislators denied receiving funds from Representative Barr and NOCAL.

151. The members of the Board of NOCAL recognized the irregularity as indicated by its members in the Board's minutes of Tuesday, 15 May, 2007. At that meeting, the Board Members emphasised that they were not aware of the circumstances for the payment of the lobbying fees. Some of the Board members even questioned the legality of such payments to the Legislators, as it could be viewed as bribery to influence a passage of Concessions and Contracts. This view was further supported by an apology by the Board's Chairman for unilaterally authorizing the payment of said fees without the consent of the Board.

Risk

152. The payment of lobby fees to members of the Legislature is irregular and is intended to influence the Legislature, thus undermining Liberia's democracy. It constitutes bribery and also contravenes section 12.50 (1) of the Penal Law of Liberia which states that "a person has committed bribery, a second degree felony, if he knowingly offers, gives or agrees to give to another or solicit, accepts or agrees to accept from another, a thing of value as consideration for : (a) The recipient's official action as a public servant; or (b) The recipient's violation of a known duty as a public servant". In particular, the following risks are associated with the payment of lobbying fees to the Legislature:

- Through the act of lobbying, funds could be illegally abused by officials of the Company.
- The payment of lobbying fees to Legislators to pass concessions and contracts could also undermine fair competition as only those companies willing to make payments to public officials can get their contracts passed into law, thereby denying opportunities to well managed and financially capable companies from benefiting from concessions and contracts in Liberia.
- The Legislature might compromise in its deliberation of issues for which it was lobbied, thus not taking decisions in the public interest such as making value for money decisions especially in the areas of sales of Liberia's natural resources. It is evident that there have been sales of concession interests acquired by these firms to other international firms, such as the recent sale of Oranto interest to US-based Chevron.
- Lobbying could lead to extra-budgetary spending.

Recommendation

153. Representative Alomiza Ennos Barr should be made to restitute US\$40,000.00, she received from NOCAL and for which others have denied receiving from her. Payment by Representative Barr should be receipted with a copy sent to the GAC.

154. Chief Clerk Kaba should also be made to reconstitute the full amount of US\$1,500.00 he received from NOCAL and for which he has provided no accounting for its usage. Payments by Chief Clerk Kaba should be receipted with a copy sent to the GAC. This payment was made to the Chief Clerk to assist in the passing into law the petroleum contracts
155. The Chairman of the Board of Directors, Members of the Board of Directors and the President of NOCAL, Dr. Fodee Kromah should be sanctioned for bribery, as it is documented that they bribed Chief Clerk Kaba and Representative Barr for the passage into law of petroleum contracts. Both Chief Clerk Kaba and Representative Barr acknowledged receipt of said money from NOCAL.
156. On the basis of the explanations provided by Chairman Urey, I have modified my recommendation to hold President/CEO, Dr. Fodee Kromah accountable to reconstitute the US\$76,900.00 which he authorized to be paid from NOCAL's account without prior Board approval and an amount which the Legislators have denied receiving from him. President Kromah did not contest that the Chief Accountant did not perform as was directed when checks were written in his name for onward encashment and distribution to select members of the National Legislature. This was further evidence that the petroleum contracts were ratified by the National Legislature.
157. Management should avoid providing lobby fees to the National Legislature, as such practice tends to compromise the independence of the Legislators in making value for money decisions on contracts and concessions agreements and more critically, it undermines Liberia's democracy. Therefore, the Government of Liberia through the Minister of Justice should employ the necessary legal means to remedy the irregular payment of "lobbying fees".
158. The Broadway and Oranto contracts should be nullified by the National Legislature, due to the process being compromised and thereby denying the assurance that the contracts were ratified for the benefit of the Liberian people.
159. The Minister of Finance should regulate inter-governmental borrowing by clearly defining the parameters and purposes for which inter-government borrowing can be carried out. NOCAL borrowed US\$50,000.00 from the Liberian Petroleum and Refinery Company (LPRC) for no other purpose but to pay what is referred to as "lobbying fees" to the Legislators to ratify two petroleum contracts. LPRC, like NOCAL, is a state-owned enterprise. This regulation will prevent the misuse of public funds, as clearly the money borrowed from LPRC was misused.

Management's Response

160. Although *management recognizes that this is a **common practice**, however, from henceforth we will refrain from so doing.*

Chairman Urey's Response, 31 March 2010

161. When we *took over from the previous leadership of NOCAL in 2006, the Board and Management decided to review the contracts which had already been signed with the previous management and contractors so as to explore ways in which we could make the contract*

better for Liberia. We, therefore, prepared an addendum to the existing contracts. This addendum contained the following:

- a) Improved exploration and work commitments.*
- b) Strengthened the Contractors obligations in respect of the exploration periods and environmental management.*
- c) Clearly defined the recovery of petroleum cost and production sharing schedules.*
- d) Contained an obligation on the part of the contractor to pay taxes.*
- e) Introduced bonus and hydrocarbon development fund.*
- f) Improved investment in human resources development, including an annual \$75,000 contribution to the University of Liberia for each contract.*
- g) Improved the annual social and welfare contribution to the budget.*

162. *The contractors did not take kindly to these new introductions to the existing contracts. We wrestled with them, remained steadfast and were able to get them to accept most of what was proposed. We presented to the National Legislature what we believed was the best possible deal given the fact that Liberia is considered a frontier territory (no history of oil discovery).*
163. *These Contracts were presented to the National Legislature on August 17, 2006. They were not retified until April 16, 2007, a period of about eight months. During this period, we continued to engage the Legislators and explained to them what benefits the discovery of oil would mean for Liberia. **They, however, continued to stick to their demands. After consultation with the authorities we gave in to their demands, reluctantly. The first amount was \$ 50,000.00 was approved by the Board.***
164. *A scrutiny of the minutes will reveal that we did not have fund at the time; the Board authorized management to borrow it from the LPRC. A second payment was made to the Legislators without the approval of the Board. I was informed by Dr. Kromah, NOCAL's President that the situation demanded that this amount be paid right away. I do not believe I was even in the Country and many Board members were unavailable.*
165. *Dr. Kromah explained the situation to me, and I explained it to the Board. The Board was concerned that it was not aware of that payment. It was then explained that all subsequent payments of such nature would get the Board approval first. It was in that connection that the apology was made. The minutes incorrectly reflected that I apologized for authorizing the expenditure. I DID NOT apologize for such. An apology was made for not obtaining the approval of informing the Board before the second payment was made.*

166. *In public service one's overriding interest should be the national interest, and sometimes a public servant does improper things in pursuit of national interest. **We were quite aware that making payments to the legislators was wrong.** These payments were made after much discussion, consultations and reflection. We decided to comply with the request because we believed that ratification of these contracts could lead the discovery of oil and this could bring huge economic and social relief to our people. The amounts were not paid to induce the Legislators to ratify faulty contracts. I trust what we have done will be vindicated when oil is discovered and the lives of our people are transformed.*

Auditor General's Position

167. In my view, the issue worth determining in connection with the payment of "lobbying fees" is whether it is a 'common practice' as known in Liberia and should take precedence over the provisions in the Liberian Constitution and Liberian laws, as insinuated by management in its response. I acknowledged management's response that it will refrain from the act of giving funds to members of the National Legislature. It is accepted that this practice will stop and at the same time, my recommendations will be implemented.
168. Common practices' of giving funds to some members of the Legislators through the provision of public funds to ratify contracts and concessions is not an acceptable practice, as in some jurisdiction there is severe penalties including criminal charges for inducing Legislators through the giving of funds. The United States Foreign Corrupt Practices Act of 1977 prohibits the giving of money to public officials to influence official decisions, such as ratifying concessions and contracts. This alleged and un-spoken 'common practice' also contravenes sections 12.51 and 12.52 of the Penal Law of Liberia which prohibits unlawful rewards and compensation to public officials.
169. Furthermore, 'Common practice' of giving funds to some individual members of the National Legislature was also not done in the manner that was transparent and accountable. For instance, besides the receipt of the US\$40,000.00 from Representative Barr and the US\$1,500.00 paid to Chief Clerk Kaba, the Management of NOCAL did not provide any evidence of how and to whom the balance US\$76,900.00 was paid. The refusal to provide the names of the members of the National Legislature who received the US\$76,900.00 further demonstrates the irregular nature of the transaction, such that the process was not transparent and the funds have not been accounted for.
170. The legislators have denied the assertion made by Chairman Urey when he wrote:
- "These Contracts were presented to the National Legislature on August 17, 2006. They were not retified until April 16, 2007, a period of about eight months. During this period, we continued to engage the Legislators and explained to them what benefits the discovery of oil would mean for Liberia. **They, however, continued to stick to their demands. After consultation with the authorities we gave in to their demands, reluctantly. The first amount was \$ 50,000.00 was approved by the Board.**"*

*In public service one's overriding interest should be the national interest, and sometimes a public servant does improper things in pursuit of national interest. **We were quite aware that making payments to the legislators was wrong.** These payments were made after much discussion, consultations and reflection. We decided to comply with the request because we believed that ratification of these contracts could lead the discovery of oil and this could bring huge economic and social relief to our people."*

171. Chairman Urey has admitted that monies provided the legislators were wrong but then contended that it was not intended to influence the passage of the acts. Paradoxically, Chairman Urey said that *"we give into their demands reluctantly. The first amount was \$50,000.00 was approved by the Board."* This was a loan from LPRC as indicated in the detailed of this report. His only justification is that, *"We decided to comply with the request because we believed that ratification of these contracts could lead the discovery of oil and this could bring huge economic and social relief to our people."* This is a glaring contradiction on the part of Chairman Urey. The Board and management gave into the demand. The Board and Management decided to accept the request for payments to ratify the contracts. But then it hard to defend his position that the funds were provided to influence but he acknowledged that it was wrong.
172. Chairman Urey further indicted the Board and Management when he contended, *"these Contracts were presented to the National Legislature on August 17, 2006. They were not retified until April 16, 2007, a period of about eight months."* By his own admission, NOCAL had to pay off the Legislators to ensure passage of the contracts, as again, Chairman Urey defended that **"we gave in to their demands, reluctantly. The first amount was \$ 50,000.00 was approved by the Board."**
173. It is on the basis of the foregoing that I recommend that the Broadway PLC and Oranto Petroleum Contracts should be nullified by the Legislature and that the total amount of US\$118,400.00 should be refunded to NOCAL's coffers by Representative Alomiza Ennos Barr, Member of the House of Representatives, Atty. James Kaba, Chief Clerk, House of Representative and CEO/President Fodee Kromah of NOCAL. The Government of Liberia through the Minister of Justice should employ the necessary legal means to remedy the irregular payment of "lobbying fees".

Governance Issues

Re-capitalization of NOCAL and Pursuit of Strategic Goals

174. Section 6 of the Act creating NOCAL states "The Corporation is authorized to issue a maximum of one hundred (100) shares of stock, all of which shall be no par value. All of the Corporation's shares shall be owned by the Republic of Liberia. The Corporation shall have an initial capital of two hundred and fifty thousand United States Dollars (US\$250,000). This amount shall be advanced out of monies in the public treasury. The President of Liberia is authorized to increase the capital of the Corporation from time to time, as may be deemed necessary. Such amounts as actually appropriated shall be paid to the Corporation by the Minister of Finance in the manner provided by law. "

175. There was no complete documentation on injections towards capital made by the Government of Liberia into the Company since its creation in 2000 by an Act of the National Legislature. My review of accounting records provided by the current management indicated that so far, US\$326,604.09 had been injected by the current Government, which exceeded the proposed initial capital of US\$250,000.00 in the Act by US\$76,604.09. However, NOCAL Board's minutes of April 2004 indicated that the Government of Liberia through the then Transitional Government of Liberia contributed US\$150,000.00, the amount which the current management failed to provide the accounting records underlying the mentioned amount in the Board Minutes of April 2004 to account for said contribution made by the Transitional Government. Management provided schedule reflecting the current Government contributed capital amounting to US\$154,880.09 and US \$171,724.00 in both 2006/2007 and 2007/2008 Fiscal Years respectively, as detailed in the below tables:

Table 3A: Schedule of GOL Capital Injection July 2007 - June 2008

DATE	DESCRIPTION	CHECK #	AMOUNT US\$	AMOUNT LD\$	Total US\$
Oct. 11, 2006	GOL	53697	28,089		
Nov. 17, 2006	GOL	72144	26,438.00		
Dec. 21, 2006	GOL	84149	13,161		
Jan. 12, 2007	GOL	87192	17,118		
Feb. 19, 2007	GOL	94175	10,882		
Mar. 12, 2007	GOL	17277		177,538	
Mar. 12, 2007	GOL	17293		179,471.54	
Mar. 23, 2007	GOL	11456	8,905		
Apr. 4, 2007	GOL	17630		182,506.66	
Apr. 20,, 2007	GOL	20660		179,838.26	
May. 1, 2007	GOL	124454	9,080		
May. 1, 2007	GOL	132022	16,644.32		
Jun. 1, 2007	GOL	140771	9,100		
Jun. 18, 2007	GOL	20404		177,505	
TOTAL			139,417	896,859.46	
Exchange rate				58/1	
Grand Total			139,417	15,463.09	154,880.09

Table 3B: SCHEDULE OF GOL CAPITAL INJECTION JULY 2007 - JUNE 2008

DATE	DESCRIPTION	CHECK #	AMOUNT US\$	AMOUNT LD\$	Total US\$
Jul. 6, 2007	GOL	154893	10,474		
Jul. 6, 2007	GOL	20414		179,839	
Aug. 30, 2007	GOL	180164	22,743		
Sept. 11, 2007	GOL	20965		78,465.48	
Sept. 28, 2007	GOL	22231		178,798	
Oct. 12, 2007	GOL	155221	13,171		
Dec. 28, 2007	GOL	23569		190,798	
Jan. 17, 2008	GOL	271880	11,751		
Jan. 17, 2008	GOL	23579		188,949	

DATE	DESCRIPTION	CHECK #	AMOUNT US\$	AMOUNT LD\$	Total US\$
Jan. 23, 2008	GOL	271850	11,751		
Feb. 4, 2008	GOL	44322		182,414	
Feb. 6, 2008	GOL	44326		188,949	
Feb. 9, 2008	GOL	261656	14,926		
Feb. 29, 2008	GOL	44405		188,949	
	GOL	298827	16,989.01		
	GOL	339466	38,485.51		
Jun. 24, 2008	GOL	DEPOSIT-CBL		508,847	
Total			140,291	1,886,008	
Exchange rate				60/1	
Grand Total			140,291	31433.467	US\$ 171,724

176. For all of the injections made by the Government into NOCAL, the Company had not issued Stock Certificate as proof of Government Investment in the Company. It was however unclear how much Capital the current and past Governments had provided to the Company, as there was no documentary evidence presented to me by management of the Company to accurately account for all Government contributions towards capital of the Company.

Illegal Constitution of NOCAL Board of Directors

177. Section 7 of the Act states " The management of the Corporation shall be vested in and exercised by the Board of Directors consisting of not less than three (3) or more than seven (7) members, all of whom shall be appointed by the President of Liberia. The President of Liberia shall appoint the Chairman of the Board of Directors and the President and Chief Executive Officer of the Corporation. Members of the Board shall serve at the pleasure of the President of Liberia. Directors to be appointed shall include persons knowledgeable in the fields of hydrocarbons, finance, economics and management."
178. Contrary to these provisions in the Act, my review of the appointment letters relating to Board Member revealed that only the Board Chairman appointment's letter was signed by the President of Liberia and the rest of the purported appointment letters of the other Board Members were signed by Morris G. Saytumah, Minister of State for Finance and Legal Affairs. Further examination of the appointment letters also revealed that only the letter appointing the Chairman was on the official letter head of the president; the rest were without letterheads.
179. I requested for the Curriculum Vitae of the Board members to establish whether the Board collectively possessed the required knowledge in Finance, Economy, and Management, etc. as provided for under the NOCAL Act. The Management of the Company or the Ministry of State for Presidential Affairs could not provide supporting documents on the profile of the Board members as stated in the Board Members' Curriculum Vitae for me to confirm their competence.
180. The President mandated the Board Chairman to put in place a Search Committee to select and appoint the Chief Executive Officer, one or more Vice Presidents and other executive officers. In the appointment letter of the Board's Chairman, the President also mandated the Chairman

to also prepare full briefing on the operation of the Corporation for the early submission to her office.

181. My requests to both the Management and Minister of State for Presidential Affairs for documentation on the Search Committee's deliberations leading to the appointment of the Chief Executive Officer, Vice Presidents and other Executive Officers for the purpose of ascertaining compliance with the President's directive were not heeded to. I did not sight evidence indicating that the Board ever constituted the Search Committee to select the CEO and other Senior Officers, Besides, neither the Company nor the Minister of Presidential Affairs presented documents to me, upon request, to show that the current Board took stock of the Company's performance and set Strategic Goal or Direction as directed in the President's appointment letter of the Board's Chairman.

Risk

182. Inaccurate knowledge of GOL investment in NOCAL could be detrimental to the Company's interest as well as Liberian taxpayers' interest in situation where the GOL decides to pursue joint ventures with other partners for the early development and exploitation of Liberia's liquid and gaseous hydrocarbon potential, a trend that is prevailing worldwide. In that event, NOCAL's worth may be under-valued.
183. Also the non-composition of NOCAL Board in consonance with the provisions of NOCAL enabling enactment as well as the non-selection and appointment of the Company's President, Vice President and Executive Officers on the basis of the President's directive, could hamper the operations of the Board and Management, and by extension the Company. This is because the petroleum industry is highly technical and therefore NOCAL's Board and Management should have the requisite knowledge and know-how as necessary for the effective, efficient and economic development and exploitation of Liberia's liquid and gaseous hydrocarbon resources.
184. The Board's failure to produce and submit to the President of the Republic of Liberia, a report on Strategic Goal or Direction for NOCAL, as indicated in the President's Appointment Letter of the Board Chairman, constitutes a significant failure. Such a report is urgently required to inform GOL's decision on early development and exploitation of Liberia's liquid and gaseous hydrocarbon potential. It is also intended to provide clear direction for NOCAL, as well as enable its management to align resources from medium to long term strategic imperatives.

Recommendation

185. NOCAL Management should document all GoL investments made in the Company and, where appropriate, undertake revaluation of NOCAL's worth, so as to determine GOL worth in it.
186. On the basis of the above recommendation, GOL interest in NOCAL as expressed in stocks should be issued to GOL.
187. NOCAL Board should compile the strategic goal report requested by the President and through that determine how much by way of injection will be required from the GOL or other partners,

for the early development and exploitation of Liberia liquid and gaseous hydrocarbon resources.

188. A review of the composition of NOCAL Board should be made by the President, bringing onto the Board, Liberians with requisite skills in liquid and gaseous hydrocarbon development and exploitation.
189. The President should retroactively issue appointment letters for the existing Board Members so as to regularize their appointments to provide the legal basis for the remuneration and other benefits they have thus received from NOCAL, as of date, there is no legal basis for the payments they have received from NOCAL.
190. Similarly, the non-establishment of the Search Committee as directed by the President denied assurance that the current Management of NOCAL has the knowledge and know-how for the early realization of the benefits of Liberia liquid and gaseous hydrocarbon potential. The President is thus advised to do a search of Liberia citizens with the requisite background to encumber NOCAL's top Management positions to make possible the realization of this object.

Management's Response

191. *Paragraph # 163-165: We are not very clear on what the GAC is indicating here. NOCAL's enabling enactment clearly indicates that the minimal initial capital injection by the Government of Liberia should be two hundred and fifty thousand United States dollars (US\$ 250,000.00). The President of Liberia has the power to increase this capital injection from time to time. Therefore, an analytical process showing variances and emphasizing excess is unclear. Because, it is the Government discretion that the capital injection changes from time to time depending on the prevailing situation.*
192. *Moreover, the assertion by the Audit Team that there was no complete documentation on subsidies received from Government is unfair. The tables presented in this section were a result of information provided by Management with respect to subsidies received from Government. Hence, we disagree with the findings that there was no complete documentation relative to government capital injection.*
193. *Paragraph #166-170: We like to clarify here that it is the prerogative of the President of Liberia to decide who responsibility of that office should be delegated to. Similarly, letter from the President of Liberia not on official Ministry of State Letter head does not fall within NOCAL's purview. Therefore, the Ministry of State should be contacted to provide explanation on why letter written to Board members were not on official letter head.*
194. *We acknowledge this finding on the lack of curriculum vitae for Members of NOCAL's Board. But it is consenting to note that we are not the appointing authority, therefore the submission of curriculum vitae is not a prerequisite to be accepted as a Board member.*
195. *However, as instructed by the President of Liberia, a Search Committee was organized and the recruitment process was competitive. Reference Annexure "A" for evidence of the recruitment process conducted by the Search Committee.*

Auditor General's Position

196. For all of the injections made by the Government into NOCAL, the Company had not issued Stock Certificate as a proof of Government's Investment in the Company. It was however unclear how much Capital the current and past Governments had provided to the Company, as there was no documentary evidence presented to me by management to accurately account for all Government's contributions towards capital for the Company. Mere table and statement cannot acquit those control issues highlighted in the report. Management should provide Bank Statements and a Stock Certificate to support the figures cited by Management in the Table.
197. Management attempted to provide justification on the excess payment on the basis that the President has the prerogative to increase the Government of Liberia's capitalization. Management contended:

"The President of Liberia has the power to increase this capital injection from time to time. Therefore, an analytical process showing variances and emphasizing excess is unclear. Because, it is the Government discretion that the capital injection changes from time to time depending on the prevailing situation."

198. Neither the Government of Liberia nor the NOCAL Management provided the substantive basis for the excess payment, such as what material justification informed the decision for the excess payment. For instance, management did not provide me a report indicating a request from NOCAL management that it needed additional capitalization. There was also no document provided to indicate the analysis that was done by the Office of the President or the Minister of Finance to convince me that the payment was necessary and required to keep NOCAL afloat.
199. Management also did not provide evidence that it submitted a capitalization schedule to the President, disclosing to the President that US\$150,000.00 that is acknowledged to have been paid by the National Transitional Government of Liberia. Hence, although management has contended that the Government of Liberia through the President has the discretion to increase its capitalization of NOCAL, it is reasonably expected that such discretion is based on sound analysis and adequate documentation. Management's contention that the only material justification that it can provide for the excess capitalization is the discretionary powers of the President cannot be sustained on the merits, as transactions in Government are governed by law and sufficient appropriate documentation.
200. On the issue of Board appointment, Management provided the following excuse and blamed the entire irregularity on the Ministry of State:

"We like to clarify here that it is the prerogative of the President of Liberia to decide who responsibility of that office should be delegated to. Similarly, letter from the President of Liberia not on official Ministry of State Letter head does not fall within NOCAL's purview. Therefore, the Ministry of State should be contacted to provide explanation on why letter written to Board members were not on official letter head."

"We acknowledge this finding on the lack of curriculum vitae for Members of NOCAL's Board. But it is consenting to note that we are not the appointing authority,

therefore the submission of curriculum vitae is not a prerequisite to be accepted as a Board member."

201. The Ministry of State was contacted. The irregularity was noted and accepted. But management's contention is also a flaw. For instance, good corporate governance would indicate that before management makes a payment such as board fees to Board members, management would have exercised the maximum level of due care to ensure that all board members that were paid were duly appointed by the President of Liberia. Management is expected to know the legal instrument creating NOCAL. Management is also expected to know that it is not a normal practice for appointment letters to be written on a "flying sheet" without a letterhead from the Office of the President or the Ministry of State, assuming such appointments were on the basis of a directive from the President.
202. It is clearly stipulated that the President must appoint all Board members of NOCAL. By management's contention, it is indicating that Management ignored this provision of the law and paid out funds to board members that were not duly appointed by the President of the Republic of Liberia. Management has yet to provide me with the basis of payments of board fees etc, although it has acknowledged that it did not even have on its file curriculum vitae of each Board member. This was a complete negligence on the part of management, which cannot be explained away by blaming the Ministry of State.
203. Management provided false and misleading information as an attempt to justify a noted deficiency in the lack of implementation of Presidential directive. Management contended:

"However, as instructed by the President of Liberia, a Search Committee was organized and the recruitment process was competitive. Reference Annexure "A" for evidence of the recruitment process conducted by the Search Committee.

204. Management did not present evidence that the proposed search committee was constituted by the Board. Besides, Management did not attach the referenced Annexure "A" as cited by management in its response. A Board minute constituting the Search Committee was also not provided by management. The names of the members of the Search Committee were not provided by management. A report from the purported Search Committee was also not provided by management. I also was not provided with any evidence of expenditure made by the purported Search Committee, or any per diem or other remuneration paid to any member of the purported Search Committee.
205. I have duly evaluated the explanations provided by management. I have noted that management explanations were not substantially supported by documentation or material justification to acquit the deficiencies. I have therefore maintained all my recommendations, with a modification that the CEO is sanctioned for negligence when he paid remuneration to board members without a duly signed appointment letter from the President, which is a contravention of the Act creating NOCAL. I have also recommended on the basis of management's response that the CEO is further sanctioned for providing materially false and

misleading information about the purported Search Committee. Knowingly providing false and misleading information is a contravention of Section 12.31 of the Penal Code of Liberia.

Irregularities noted with Board activities

Observation

206. I reviewed NOCAL Board minutes, DVs relating to the payment of Board fees and the Act creating the Company, with a view to assessing its activities and validating payments of board remuneration for the periods under review. The outcomes of my review are stated below.

Payment made in Excess of Allotted Amount for Purchase of Motor Vehicles

207. In NOCAL's approved annual budget for 2007/08 fiscal year, US\$60,000.00 was provided for the purchase of two (2) twin cabin-pick-ups. A review of payment vouchers and fixed assets records indicated that the two pick-ups were procured at a total cost of US\$70,583.29, which over-ran the budgetary allocation by US\$10,583.29. This, in my view, connoted expenditure incurred outside the NOCAL's approved Budget; in other words, this was extra-budgetary spending.

Unauthorised Purchase of Vehicle for Board Chairman: US\$ 34,500.00

208. Further review of disbursement records revealed that though NOCAL does not have any approved policies to back the procurement of vehicle for its Board Chairman, Management procured a twin cabin-pick-up valued at US\$34,500.00 for Chairman Clemenceau B. Urey. This, in my view, is an abuse of the Company's resources.
209. Though management provided basis for the procurement of the vehicle for its Board Chairman, nevertheless, in my view, the basis provided did not remedy the irregularity, in the sense that the provision of vehicle for the Board's Chair is not authorized by NOCAL's Act or any policy of the Company.
210. It is also worth noting that the position of the Board's Chair is part-time and Board Members are paid as part time service providers and, for contractual services rendered to the Company. Therefore, the use of the Company's resources to purchase a vehicle for a part-time service provider, provision of fuel/gasoline and payment of service fees for the vehicle maintenance could affect the Company's limited resources. It was also noted that Chairman Urey was affected by the pronouncement of President's Sirleaf in January 2009 that all non-statutory members be removed from the Board of all Public Corporations and the former Chairman took away and possessed the Company's vehicle.
211. Though I did not observe any document from management permitting the former Board Chairman to take possession of the assigned vehicle, the manner in which the vehicle was possessed by Chairman Urey when he was relieved of his post suggested that Urey took ownership of the Company's property. My auditors travelled to Chairman Urey's residence on the AB Tolbert Road in Paynesville to verify the existence of the twin-cabin pick-up, in his possession. My auditors' verification revealed that Chairman Urey had the Company's vehicle parked at his residence when in fact he was no longer serving as Board Chairman.

Variation in Board's Remuneration

212. Section 8(e) of NOCAL Act gives its Board authority to set its own remuneration. However I noted that over the period July 2006 to 2008, there were yearly changes in Board fees payable, ranging from US\$1,000.00 per quarter in 2006 to US\$ 2,000.00 in 2007 and US\$3,000.00 in 2008. It was unclear what considerations had prompted the changes in the remuneration observed.

Payment of advances to Board Member: US\$2,050.00

213. I also observed that Board Member, Peter B. Jallah Jr., former Minister of National Security, collected from the Company, a quarterly allowance of US\$ 2,050.00 in advance, contrary to the Act creating NOCAL. The advance paid was also wrongly charged to the Company's Board expense account instead of a receivable account, to indicate that the Board Member owed the Company because he has been paid for services not yet provided.
214. Advance payment of an allowance may not be refunded as there is the possibility that a Board member may be transferred, dismissed, deceased, or might not have attended Board meetings. Therefore, in my view, the advances paid to Board Member, Jallah was irregular.

Board fees unaccounted for: US\$400.00

215. Board fees paid to Board members from 1 July 2006 to 30 June 2008 amounted to US\$95,400.00 as was reported in NOCAL's Financial Statements for the two periods under review. However, my analysis of the Board fees paid to members for the same period indicated that actual Board fees paid amounted to US\$ 95,000.00, thus leaving an unexplained difference of US\$400.00. **Annexure 12**

Irregular payment to Non-Board Members: US\$ 15,300.00

216. The composition of the Board of Directors of NOCAL required a maximum of seven (7) members as provided for under NOCAL's Act. I noted however that there were more than seven Board members, including the President/CEO, who received Board fees. Dr. Fodee Kromah, President/CEO of NOCAL, thus received a total of US\$12,500.00 as indicated in **Annexure 11** as Board fees. However, Section 8(g) of NOCAL Act stipulates that the President/Chief Executive Officer of the Company "shall not be a member of the Board". This by implication means that the Board's remuneration paid to the President/Chief Executive Officer is irregular and cannot stand as a charge to NOCAL's account.
217. I further noted from review of the Company's records, including the minutes of the Board meetings that the decision to pay the President/CEO Board fees was taken on Tuesday, 15 May 2007 at a meeting of the Board of Directors (page 4, paragraph 4 of minutes). Nevertheless, in my view, the Board's approval provided did not cure the irregularity, in the sense that allowance/fees payment to the President/CEO is not approved by NOCAL's Act. It is instructive to note that the appointing authority for NOCAL's President/CEO cannot even approve of the Board's allowance payment to the President/CEO of the Company. Though Management may tend to depend on an amendment by the Legislature for the payment of Board allowance to the President, but will need a referendum, as Article 90 (b) of the Constitution of Liberia prohibits such payment to the President/CEO.

218. My review also revealed that Management made payment of Board fees to four management staff, namely Vice Presidents for Finance and Technical, Marie Leigh-Parker and Jacob S. Sandike, Comptroller and HR Manager, Fulton Reeves and Christina Harmon of NOCAL. The total amount paid to them was US\$2,800.00. The four recipients of these payments as indicated in **Annexure 11** were observers at Board meetings. I also noted a payment from board fees in the tune of US\$300.00 made to Accountant Timothy Wiaplah
219. The NOCAL Enabling Enactment explicitly states that the NOCAL Board appointed by the President, which comprised of seven (7) members, shall be paid fees. This implied that only those appointed by the President shall be entitled to Board fees. The lapses noted above appeared to have been recognized by Director Peter B. Jallah, Jr. in its Board meeting held on Thursday, 6 December 2007, where he questioned the attendance of non-board members to Board meeting. Though the President, Dr. Kromah, asserted that he has the right to invite any staff or member of management to a Board meeting, in my view, to pay non-board members because they were invited to a Board meeting is irregular because only duly appointed Board members should be paid Board fees for attending Board meetings and staff can be called upon by the board to provide clarification on matter required by the Board as part of their regular functions.

Unsupported Board Expenditure

220. NOCAL's Income Statement for 2006/2007 reported US\$ 35,000.00 as Board fees incurred for the period. The management failed to present evidence underlining payment totalling US\$21,300.00 to the Board. Management presented payment vouchers supporting only US\$13,700.00 out of the total expenditure of US\$ 35,000. Ref. **Annexure 13A**. Similarly, the Income Statement for 2007/2008 also revealed that US\$60,400.00 was expended as Board Fees for the period. Management could not provide evidence to support US\$53,500.00 reported expenditure on Board fees. Payment Vouchers presented by Management could only account for US\$ 6,900.00. Ref. **Annexure 13B**.
221. I also noted that Board Members received Bonuses (Performance Incentives) amounting in total to US\$14,500.00 as evidenced by a signing sheet showing signatures of Board members as of 6 December 2007. **Exhibit 4**. However, Section 8(e) of NOCAL Act stipulates that members of the Board of Directors shall receive stipend. Ordinarily, stipend would exclude bonus payment and therefore I consider the bonus payment to the Board members irregular.

Non-Deduction of tax from Board fees

222. Section 905 (a) of the Revenue Code of Liberia Act of 2000 states that resident persons who make payments to resident natural persons pursuant to a contract of employment are required to withhold income tax on payments to employees and individuals according to the schedule established in section 200 of the Revenue Code. Section 201 of the Revenue Code further describes income that is taxable as aggregate of economic benefits of whatever kind that the taxpayer derives during the year. The amounts are to be deducted from every payment to employees/individuals and to be paid over to Government on a monthly basis, with payments due within 10 days of the last day of each month.

223. Furthermore, my review sought assurance that statutory deductions were made from Board fees. However, contrary to the provisions of the Revenue Code, I observed that Management did not deduct taxes from fees paid to Board members. A review of 84 transactions/payment vouchers worth US\$ 95,000.00 indicated that management did not pay the total sum of US\$10,025.54 due from board fees to the GOL. Similarly, taxes were also not deducted from some senior management staff of the Company. I have dealt with Board fees received by President Fodee Kromah, Vice President for Finance, Marie Leigh Parker, HR Manager, Christina Harmon, Vice President for Technical Services, Jacob Sandike, Comptroller, Fulton Reeves and Accountant Timothy G. Wiaplah. I also noted payments indicated in the names of former Finance Minister, Antoinette Sayeh and former Lands and Mines Minister, Eugene Shannon in the tune of US\$13,500.00. Former Minister Sayeh is indicated to have received US\$1,000.00, while former Minister Shannon is also indicated to have received US\$12,500.00. I therefore endeavour to conduct a forensic investigation into the US\$13,500.00, as it is a violation of Article 90 (b) of the Constitution of Liberia.
224. I thus enquired from Management on the matter and accordingly, the Senior Accountant, Timothy Wiaplah, explained that payments made to Board members were done without the necessary tax deduction because he had not been instructed by management to do so. The Company's conduct constituted a contravention of the Revenue Code of Liberia 2000, which resulted in loss of revenue to Government. Details of the unpaid taxes due from Board members and senior management staff are provided in **Annexure 12**.

Risk

225. The failure on the part of Management and Board to adhere to control procedures and provisions contained in the Act establishing NOCAL could undermine the efficient management of finances of the Company and impact the effective implementation of budgeted activities. Additionally, the occurrence of the events listed below is an indication that management of the Company was not on sound footing and this could adversely affect the discharge of the Company's objectives:
- The unauthorized purchase of vehicle for the Board Chair and his retention of said vehicle, when even out of office.
 - The Board's award of substantial increase in its stipend annually without justification.
 - The payment of advances to Board member and Board remuneration payment to non-Board members, resulting to the loss of revenue to the Company.
 - The non-deduction of income tax from remuneration paid to Board Members and non-Board members, resulting to a loss of tax revenue to Government.

Recommendation

226. The Chairman of the Board should ensure that management operates within the existing legal framework as far as the payment of Board remuneration is concerned.

227. NOCAL Board should refrain from allotting money in the budget of the Company for unjustified expenditure, including purchasing vehicle for use by a non-employee of the Company (i.e. a Board Chairman).
228. Chairman Clemenceau B. Urey should be made to turn over the Company's vehicle, because he is a part-time service provider and there is no provision within the NOCAL's Act or any policy of the Company for that matter, granting him such entitlement.
229. The US\$10,025.54 which represents income taxes that the Company defaulted in paying, should be paid to the Ministry of Finance by the Management, as required by the Revenue Code of Liberia 2000. A copy of the flag receipt should be sent to the GAC by NOCAL. I did not consider the total default in the tune of US\$14,809.14 as I have instructed a forensic investigation into Board fees received by two former ministers and I have also recommended that the CEO and others be made to restitute payments made in the name of the Board.
230. Non-Board Members, Vice Presidents for Finance and Technical, Marie Leigh-Parker, Jacob S. Sandike, Comptroller, Fulton Reeves and HR Manager, Christina Harmon and Accountant, Timothy G. Wiaplah of the NOCAL, should be made to refund the US\$3,100.00 into Company's account.
231. The Board of Directors should be restructured to seven (7) members, to reflect the statutory provision on the number of members the Board is required to have, meaning the current and all subsequent President/CEO of the company should not be a Board member to receive board fees, but rather they should be amendable to the Board. In the same vein, Dr. Kromah, the former President/CEO should be made to refund the US\$12,500.00 he received from the Company's account as Board fees.
232. Members of the Board who received bonuses (Performance Incentive) amounting to US\$ 14,500.00 (**Ref. Exhibit 4**) should be made to refund the amount to the Company's coffers as such payment is irregular.
233. The President/CEO should be made to provide supporting documentation for all Board's remunerations paid for, which were unsupported.

Management's Response

234. *When budgets are prepared, prices are inserted based on the current situation. By the time the vehicles were purchased, the prices had escalated. Management used its best judgment to purchase the two (2) twin cabin pick-ups taking into consideration the contingency component of NOCAL Budget.*
235. *The corporate By-laws of NOCAL grants the Board of Directors the power to (i) formulate policies and direction of management of the corporate article 2 a (i). As such, the annual Budget passed by the NOCAL Board is a policy document of the company and is within the purview of the Board to devise. Therefore, the observations noted above cannot be viewed as*

unwarranted and unjustified as it was the Board directives that management purchased a new vehicle for the Board chairman.

236. *The Board Chair is of the view that the value of the leadership he had provided the corporation in term of the accomplishment it has made (taking it from an illiquid corporation to one that can now contribute to the national budget), along with the opportunity cost spent working for NOCAL, far exceeded that of the \$34,500.00 pick-up and board fees. It is rather unfortunate that you would characterize my relationship with NOCAL as that of a part-time service provider, who is PAID for service rendered. If the position of Government is that I should return the vehicle, you should have it.*
237. *The vehicle which was parked in my yard was only for safekeeping after the dissolution of the Board. You met the car parked in my yard along with other vehicles. The vehicle would have been returned to NOCAL had I not been reappointed as Board Chairman.*
238. *Furthermore, the advances paid to Board member was an oversight and would be avoided in the future. Similarly, the charging of the advance to expense instead of a receivable was an over sight and has since been rectified.*
239. *Reconciliation is being conducted. When it is concluded, this apparent error will be corrected.*
240. *This was a misinterpretation by us. I will refrain from doing so in the future.*
241. *The clauses in the Revenue Code 2000, apparently, are unclear to us. When the Ministry of Finance clarified the clauses to us, I then commenced to deduct government taxes under advice to the NOCAL Board. The Ministry of Finance did not require the payment to be retroactive.*

Auditor General's Position

242. Management has not provided sufficient justification to document why the President/CEO and non-board members (i.e. NOCAL's employees) were paid both salary and Board fees. This is contrary to NOCAL's Act which states "The President and Chief Executive Officer of the Corporation shall not be a member of the Board, but shall nevertheless be amenable to the Board and shall be responsible for the day to day operations of the corporation." Moreover, NOCAL Board consists of a maximum of seven (7) members appointed by the President of Liberia.
243. I further emphasised that vehicles assigned to staff and board members are the property of the entity and must be returned when a staff leaves the entity irrespective of whether his or her position is terminated, requested to resign or relieved of his position. The use of private home as a storage is an indication that the Company's assets are not adequately managed. The President dismissed all non-statutory members of state-owned enterprises. There is no indication that the President provided assurances to Chairman Urey that he would eventually be re-appointed. But even if Chairman Urey were given assurances, he was still under

obligation to leave the vehicle with NOCAL. So his contention that he would have returned the car if he was not reappointed is without merits.

244. Chairman Urey's contention that the car was parked in his yard when the auditors visited also provides no assurance that it was not being used by Chairman Urey.
245. I further maintain my position that the position of Board Chairman is a part-time position. The total compensation (remuneration and other benefits) must be approved by the appointing power, which is the President of Liberia. The Chairman's contention that the value of leadership he has provided and the opportunity cost spent in working for NOCAL far exceeds the US\$34,500.00 paid for the car and his Board fees is without merit. The Chairman fails to measure and quantify the dollar value associated with his alleged leadership and the opportunity cost spent on NOCAL's work.
246. The Board has the prerogative to decide on NOCAL's budget. But the Board also has fiduciary responsibility to its appointing power and by extension to the Liberian taxpayers. This is why under corporate arrangements; investors like taxpayers can bring derivative lawsuits against the Board of Directors when their interest, financial or otherwise, is undermined by Board actions. Therefore, the Chairman's contention that the only justification for the purchase of the pickup for the Chairman of the Board is because the Board directed management is without merit. The Board of Directors cannot direct management to do what is not legal, such as purchasing vehicle that was not only budgeted for but which also not consistent with NOCAL's enabling Act. I therefore maintain all of my recommendations.

Administrative Matters

Irregularities Noted with Procurement of Goods, Services and Works: Non Preparation of Procurement Plans

Observation

247. Part IV section 40 of the Public Procurement Concession (PPC) Act of 2005 states that all Procuring Entities shall undertake procurement planning with a view of achieving maximum value for public expenditure by indicating the contract packages, estimated cost, procurement method and processing steps and time schedules. Contrary to this provision, the National Oil Company of Liberia did not prepare any procurement plans for the period under review. In this regard, it was impossible to ascertain whether value for money was achieved.

No adequate Control over Fuel Coupons

248. To enhance effective and efficient control over fuel/gas coupons, it is incumbent upon management to ensure that stocks of fuel and fuel coupons are managed and regulated through the maintenance of stock ledgers and registry. In this regard, fuel coupons procured are serially recorded in the stock registry, controlled and managed through the use of distribution registers. Where bulk issues are made to a responsible officer for distribution, that officer is required to maintain a distribution registry which should be duly signed by recipients when allocation of the coupons are made to them.

249. However, records made available indicated that NOCAL's Human Resource Manager, Christiana N. Harmon, was the one who printed fuel slips/coupon within the Company. It was also observed that the printed slips were not serially pre-numbered, thus making it impracticable to verify the quantity of coupons purchased and distributed/issued out during the period under review.
250. Moreover, major internal control weaknesses indicated by a lack of effective check and balances were noted in the management of fuel supplies for the Company. For instance, the Human Resource Manager was responsible for printing of fuel slips, maintaining its custody and authorizing its distribution. In other words, the Human Resources Manager was assigned the sole responsibility of managing the Company's fuel supplies in respect of ordering, custody, handling, and the distribution of the fuel coupons.

Fuel/Gas procure without following PPC Act

251. Section 53(a) of the PPC Act states that the request for quotations/shopping method may be used for the procurement of goods, works and services, where the procurement is for commercially available standard goods, not specially manufactured to the particular specifications of the Procuring Entity and the estimated value does not exceed the amount set in the schedule on Threshold. Furthermore, Section 54(1,4) of the same Act also states that quotations shall be requested for in writing from as many bidders as practicable, but from at least three(3) bidders; and a purchase order shall be placed with the bidder that provided the lowest-priced quotation, meeting the delivery and other requirements of the Procuring Entity.
252. Contrary to the above requirements, it was noted from examination of Disbursement Vouchers that US\$78,524.35 used in the procurement of gas/fuel from July 2006 to June 2008 violated the aforementioned sections of the PPC Act 2005. These expenditure were carried out without request for quotations, lack of delivery notes, and local purchase order, among others. As a result, procurement was carried out without the due process and therefore, there was no assurance that value for money was achieved in the supplies obtained.
253. The situation observed occurred as a result of a lack of internal control and failure on the part of officials of NOCAL to ensure that the control procedures provided for under the PPC Act are adhered to.

No Contract Agreement/MOU on the supply of Fuel/Gas

254. DVs and checks paid to Monrovia Investment Service Station and Ducor Petroleum, Inc for the purchase of fuel/gas from July 2006 to December 2007 were not done under contract. The absence of a contract with the suppliers denied assurance that funds for the supply of fuel had been disbursed to the actual suppliers. The avoidance of a contractual agreement with the suppliers is a violation of the PPC Act.
255. Though, Henry B. Gray, the General Services Manager of NOCAL confirmed that an informal agreement was made between NOCAL and the vendors/suppliers regarding the transactions. The informal agreements relied on for business activities with the suppliers would lack a legal basis in the event of a default by one of the parties.

Lack of control over Gas/Fuel supply to Utility vehicle

256. In order to effectively control the running cost of the vehicles, NOCAL is required to maintain a vehicle log book that should reveal the location of the vehicles, including authorization of the movement, the distance covered, and evidence of monitoring by a supervisor. This practice is critical for an effective control over the consumption of fuel.
257. Management did not maintain vehicle logs to keep track of the movement of its vehicles. I also observed that two hundred (200) gallons of gas/fuel was supplied to be used by the Company's utility vehicle on a monthly basis. In the absence of the required records on these supplies, I could not ascertain whether the gas/fuel issued in favour of the Company's utility vehicles was used for the intended purposes.

Risk

258. Inadequate segregation of duties as evident with the case of the Human Resource Manager's management of fuel supplies could be exploited to the detriment of the Company's resources.
259. The inability of the officials of the General Services Department of NOCAL to ensure due compliance with the PPC Act regarding procurement, may result to the non-selection of the lowest responsive evaluated bids, with consequential loss to the Company.
260. Supply of fuel to the Company without a legally binding contractual agreement could expose the Company's resources to risks, and the parties may decline liabilities in the event of a default.
261. Without a standard vehicle log book that is efficiently managed, the Company risks expending large sum of funds on the supply and use of fuel as well as maintenance, as a result of inappropriate and unauthorized use of the vehicles.

Recommendation

262. NOCAL must prepare procurement plans as required by Section 40 of the Public Procurement Concession Act (PPC Act) of 2005.
263. The President and CEO should ensure that Management avoided the internal printing of its fuel/gas coupons, but rather procure coupons from reputable vendors while ensuring that the coupons are serially pre-numbered on both the stubs and the coupons.
264. The procurement and distribution of coupons should be segregated.
265. A registry for fuel coupons should be introduced and properly maintained.
266. The supply officer should maintain a distribution registry to record all coupons received and distributed to staff.
267. A vehicle log indicating destinations travelled, reasons for travel, mileage covered and signatures of drivers should be maintained for all NOCAL's vehicles. Average fuel consumption

per kilometre should be computed monthly by the General Service Officer. Any excess consumption should be noted and remedial actions instituted.

268. The President/CEO should ensure that management desist from the procurement of fuel without any legal agreement. A legal and binding agreement must be entered into always to protect the interest of the Company.

Management's Response

269. Management responded to the issues raised as follows:

- *In the Absence of fuel register and fuel ledger, there is a log for the recording of fuel and gasoline separately;*
- *Coupons printed internally were approved by the voucher. For the purpose of reconciliation and distribution, coupons purchased were according to the budget and distributed accordingly by the signature of log by the recipients;*
- *The vendor, MAU-P Inc., requested that NOCAL print her own coupon and this responsibility was delegated to me by Management to print and scrutinize the flow of printing coupons assigned to individuals in order to avoid duplication. There was an identification mark placed on each coupon to avoid theft. According to the new procedure/regulation that has been put into place by NOCAL, MAU-P Inc now prints the coupons;*
- *The need for quotations was not necessary since the price of gas/fuel is standardized (i.e. the price is the same all over). The other aspects of your observation will be implemented; and*
- *There is a log for the recording of fuel for the utility vehicle. It is the responsibility of the General Services Department to Monitor and keep records of all of NOCAL's vehicles assigned as well as the utility vehicle.*

Auditor General's Position

270. Management's contention that the need for quotations was not necessary since the price of gas/fuel is standardized is without merit. The intent of the PPC Act, 2005 regarding the soliciting of quotation is to procure from vendors with quality services and lowest price. Besides, Management failed to provide the referred log book that was used for recording and distribution of Fuel/Gasoline to the Company's vehicles, including utility vehicles. Mere assertion is not sufficient evidential matter to acquit the noted deficiency. Moreover, there was no evidence presented to me by Management to substantiate that Coupons procured by Management were in line with the approved Budget of the Company. Management failed to substantiate its claims that there were coupons printed internally with special identification mark to avoid theft. Management did not provide evidence in the form of coupon stock to indicate that there were internal control measures instituted by the management. Moreover, management has no basis for the printing of internal coupons (gas/fuel) as it is contrary to

standard practices, rather management should have procured coupons from reputable vendors indicating pre-numbered on both the stubs and the coupons. Therefore, I maintain that the President and CEO should ensure that management desist from the internal printing of its fuel/gas coupons, and rather procure coupons from reputable vendors while ensuring that the coupons are serially pre-numbered on both the stubs and the coupons.

Discrepancies in Vendor Confirmation Relating to Transactions with NOCAL

Observation

271. During the period under audit (July 2006 - June 2008), NOCAL transacted with a total of sixty nine (69) businesses for various goods and services. Audit confirmation of transactions between these vendors and NOCAL were served. The following issues were observed during the analysis of Vendor confirmations and documents obtained from NOCAL (Bank Statements, Cash Inflow and Outflow Listing).
272. My analysis revealed that with the exception of Belview Airlines and Slok Airline which are no longer in operations, four (4) businesses with transactions value at US\$12,630.00 could not be located nor contacted via mobile phone. Ref. Table 4A.

Table 4A: Summary of Ghost Vendors (Vendors that were not located)

NO.	Name of Vendors	Amount in USD
1.	Comie Consultant	5,500.00
2.	Comprehensive Comp. Consultant	40.00
3.	Ink Publishing-Spirit Magazine	5,400.00
4.	Mwetana Consulting & Tech. Group	1,690.00
	Total	12,630.00

273. Further analysis also revealed that three (3) businesses (Master Key, Gritaco Travel agency and Weasua Air Transport) all confirmed that they had no record of business transaction with the National Oil Company of Liberia for the periods under review. Information obtained through bank statement analysis revealed that NOCAL conducted Business with these entities, totalling US\$7,553.25. as detailed in Table 4B below:

Table 4B: Summary of Businesses that confirmed not doing business with NOCAL

NO.	Name of Vendors	Amount in USD
1.	GRITACO Travel Agency	6,653.25
2.	WEASUA Air Transport Co. LTd	880.00
3.	Master Key Service	20.00
	Total	7,553.25

274. It was also observed that several check payments in amount totalling US\$13,825.39 traced from the Cash inflow and Outflow Listing availed for Audit for the periods under review were not vouched to the Bank Statements as summarized in Ref **Annexure 10A**.

275. Further analysis on confirmations received from six (6) vendors revealed a number of discrepancies (understatements & overstatement) in amounts on Bank Statements and cash Inflow and Outflow Listing for the period under review. There was a total under-statement of US\$2,843.50 and a total over-statement of US\$5,662.66 which amounted to a total misstatement of US\$8,506.16. as summarized in **Annexure 10B** .

Risk

276. There is the possibility that NOCAL could lose funds in dealing with non-existing entities, with consequent loss of tax revenue to GOL.

277. There is also the possibility of material misstatement in NOCAL indebtedness to the suppliers, thus impacting the truth and fairness of the financial statements.

Recommendation

278. Management should conduct transactions with only registered business entities, as required by Section 32 of PPC Act of 2005 and Section 4.2 of the Business Law of Liberia.

279. Marie E. Leigh-Parker, Vice President for Finance, Fulton M. Reeves , Comptroller and Henry M. Gray, General Services Director , should be held accountable and made to jointly and severally restitute US\$12,630.00, as they did not provide substantive justification on said amount, representing transaction cost with businesses that could not be located (Ghost Businesses).

280. Marie E. Leigh-Parker and Fulton M. Reeves should adjust the accounts of suppliers, which indicated that NOCAL's indebtedness to them were understated and overstated by US\$2,843.50 and US\$ 5,662.66 respectively. Also, both Marie E. Leigh-Parker and Fulton M. Reeves should provide supporting documents to justify US\$13,825.39 transactions that was not vouched to the Company's Bank Statements.

281. Marie E. Leigh-Parker and Henry M. Gray should be made to restitute US\$7,553.25, as they did not provide substantive justification on the dealings with suppliers who confirmed that they had no record of business dealings with NOCAL.

Management's Response

282. *Paragraph #258-289: We disagree with the finding that the mentioned entities are ghost. These were all registered businesses operating in Liberia during our time of business with them. However, the Audit Team's failure to locate these firms does not indicate that they are ghost. We believe this conclusion is without merit. The table below shows full address and telephone numbers of these entities:*

Business name	Address	Telephone No.	Amount (US\$)
Comie Consultant	One Ace Place, 2 nd floor, Broad Street, Monrovia	06529567/06586557	5,500.00
Ink Publishing Spirit Magazine	141-143 Shoreditch High Street, London E16JE	+44(0)2076138777	5,400.00

Mwetana Consulting & Tech. Group	Corner of McDonald & Broad Street	06578456	1,690.00
-------------------------------------	-----------------------------------	----------	----------

Auditor General's Position

283. There is no evidence of Business Registration, Tax identification Number (TIN) or Tax Clearance to legally prove the existence of the four businesses as required by law. Management assertion that *"These were all registered businesses operating in Liberia during our time of business with them"*, is without merit as Management failed to provide the relevant supporting documents indicating that the four businesses are all registered businesses in Liberia. Management also failed to provide evidence of services rendered NOCAL by these businesses. The Management indicated in its response that "Spirit Magazine" exist in London, but also claimed that it is a registered business in Liberia without proof of business registration cannot be sustained administratively and judicially when challenged on the merit. Besides, the audit team could not locate these businesses on the referenced addresses quoted on the purported invoices they submitted to NOCAL's Management during the period under audit. I maintain that these businesses did not exist under the commerce law of the Republic of Liberia as legal entities. The Management besides providing a response on the issue of the four businesses, a response that was not material to cure the noted deficiency, failed to provide responses to other reportable issues as contained in this section of the report. It is instructive to note that management did not provide any response on the businesses that confirmed that they did not do any transaction with NOCAL in an amount totalling US\$7,553.25 as reflected on the Bank Statement. This is material, as the confirmations received from these businesses, cast serious doubt on the debit notes as contained in the Bank Statement. The Management of NOCAL also did not provide any material justification and supporting documentation for the underpayment and overpayment in the tune of US\$2,843.50 and US\$5,662.66 respectively. The Management also failed to reveal check payments in amount totalling US\$13,825.39 traced from the Cash inflow and Outflow List which were not vouched to the Bank Statements. This is expenditure outside banking transactions.
284. The Management action of pushing expenditure on businesses that it did not do business with is criminal, and as such needs urgent attention. The Management of NOCAL concealed material facts by making withdrawals in the names of businesses that it did not do business with. This loss caused, is consequential and should be remedied by the Ministry of Justice. I therefore maintain all my recommendations.

Procurement of Consultancy Services

Observation

285. Section 68 (1) of the PPC Act of 2005 states for the purpose of procuring the services of a consultant, the procuring entity should prepare a shortlist of three to six consulting firms comprising consultants of the same category and similar capacity and business objectives, to which it shall provide the request for proposal for services. The shortlist shall be established from amongst those who have the capacity to perform the required services as demonstrated in their submissions.

286. Section 68 (4) of PPC Act also states that the request for proposal shall provide shortlisted bidders with the information necessary to enable them participate in the procurement proceedings and to submit proposals that are responsive to the needs of the procuring entity. Furthermore, Section 52 provides that request for proposal for services is the method to be used for the procurement of consultant services, subject only to the exceptions provided in sections 70 and 71. Examination of documentation on consultancy services procured by NOCAL during the period under review uncovered the following lapses:

Consultancy Agreement with Mwetana Consulting Technology Group

287. A consultancy agreement was entered into by the National Oil Company known as the Client and Mwetana Consulting Technology Group known as Developer on 2 August 2007. The scope of performance of the contract was for the Developer to develop the Website for NOCAL which will provide information on the following:

- The Welcome Page
- The Company History
- The President's Page (Links to the Vice President and others)
- Partners
- News
- Corporate/Social Responsibility
- Projects
- Photo Gallery
- Calendar of Events
- Contact Us
- Bid Rounds

288. Unless terminated as provided by the contract, the agreement was to be terminated upon completion of the Development Services. The agreement also provided that, the Client may terminate the agreement without cause upon thirty days with written notice. In the event of termination without cause, client agrees to pay Developer for all Development services performed up to the date of termination. Developer was hired on a fixed-price basis to perform the services and provide the deliverables described above.

289. Any material change in the services or deliverables required a written change or designed by the parties. Such change may include adjustment to the price or delivery dates. The Fixed price for the work was US\$1,690.00. It was also agreed that Services will be invoiced according to the following payment schedule:

- | | |
|------------------------------|-------------|
| • On signing of the Contract | US\$ 900.00 |
| • Website Delivery | US\$ 600.00 |
| • 30 days after Delivery | US\$ 190.00 |

290. No evidence was provided to me during the course of the audit to indicate that the above requirements of Contract were adhered to by NOCAL's Management. The Management failed to provide minutes of procurement proceedings and proposals from bidders including Mwetana

Consulting & Technology Group for me to ascertain what procurement method was employed and on what basis Mwetana was selected by NOCAL's Management.

291. Bank Payment voucher 099 dated October 8, 2007 in favour of Mwetana Consulting & Technology Group in an amount of US\$790.00 for Final settlement for Website Internet page was made in contravention of the contractual agreement, which provides for three instalments as stated above. Instead of the US\$600.00 as second payment for the Website delivery, Mwetana received a total payment of US\$790.00.
292. Certificate of completion indicating a successful and satisfactory completion of the consultancy terms and conditions of the agreement were not attached to payment voucher as required by Rule 24 of the Financial Rule of the Republic of Liberia.

Consultancy Agreement with Cllr. Stephen Dunbar

293. During the period under audit, it was observed that NOCAL made several payments to Cllr. Stephen B. Dunbar as evident by Bank Payment Vouchers# 0080 dated 13 September 2007, Voucher# 0196 dated 28 November 2007 and Voucher# 0491 dated 13 March 2008 in amounts totalling US\$15,615.00 for Legal Services. However the following issues were noted concerning the said payments:

- The Board of Directors of NOCAL in their 22 May 2007 meeting mentioned the issue of hiring an in-house lawyer for NOCAL during the budget discussion for the fiscal period 2007/2008. Cllr. Stephen Dunbar in that meeting suggested that there was no need to hire an in-house lawyer but rather retain a legal counsel.
- The management in implementing the decision from the Board hired Cllr. Stephen Dunbar who was already a member of the Board of Directors to serve as retained lawyer of NOCAL without regards to the Public Procurement and Concession Act of 2005 which requires a formal contract and a bidding process and prohibits conflict of interest. Conflict of interest in procurement is a violation of Section 131 (c) of the PPC Act, 2005, which states "At all times avoid conflict of interest and the appearance of conflict of interest, in carrying out his or her duties and shall immediately disclose any conflict of interest and excuse himself or herself from any involvement in the matter." The hiring of Cllr. Stephen Dunbar also violated Article 90 (a) of the Constitution of Liberia which prohibits conflict of interest. Article 90 (a) states "No person, whether elected or appointed to any public office shall engage in any other activity which shall be against public policy, or constitute conflict of interest."
- Payment voucher# 0080 in the tune of US\$3,250.00 and Voucher# 0196 in the tune of US\$7,425.00 had no receipts attached to indicate that indeed such amounts were paid.
- Contractual agreement underpinning the services rendered was not made available for audit, thus making it impossible to determine the scope of work, duration of work, terms of payment and compliance.

- Procurement Committee minutes for selecting Cllr. Stephen Dunbar were also not made available for audit, making it impossible to determine on what basis he was selected. There was also no evidence of work done by Cllr. Stephen Dunbar.

Consultancy Agreement with Cllr. Peter B. Jallah

294. During the period under review, it was observed that Cllr. Peter B. Jallah, also a NOCAL Board member during the fiscal period 2006/2007 received an amount of US\$500.00 on 26 September 2006 on check #44546 for legal services rendered to NOCAL, even though NOCAL already had Cllr. Stephen Dunbar as its Retained Lawyer. It is instructive to note that the hiring of Board Member Peter B. Jallah to render services to NOCAL again as a consultant violates Article 90 (a) of the Constitution of Liberia and Section 131 (c) of the PPC Act, 2005. The following issues were also observed:

- Payment voucher authorizing said payment was not availed for audit.
- Details of legal services rendered were not provided.
- No contract between NOCAL and Cllr. Jallah was provided for audit.
- Payment receipts authenticating receipt of payment was also not availed for audit.

Consultancy Agreement COMIE Consultants Inc.

295. For the period under audit, it was also observed that NOCAL made two payments to COMIE Consultants INC, as evident by Payment Vouchers# 0397 dated 14 February 2008 and Voucher# 0584 dated 23 May 2008 in amounts totalling US\$5,500.00 for Advisory Services as per the Invoices and payment Vouchers. However, the following issues were noted concerning said payments:

- Contractual agreement by the two parties involved were not availed for audit; making it impossible to determine the scope of work, payment terms and date of completion of services performed.
- Payment receipt for Voucher 0397 in an amount of US\$3,500.00 was not attached to the voucher to indicate that payments were made to the consultant.
- Procurement Committee minutes selecting COMIE Consultants were also not availed for audit making it impossible to determine on what basis the firm was selected.
- There was also no evidence of work done by COMIE Consultants. Certificate of completion indicating a successful and satisfactory completion of the consultancy terms and conditions of the agreement were not attached to payment vouchers as required by Rule 24 of the Financial Rule of the Republic of Liberia.

Consultancy Agreement with J. Nanborlor F. Singbeh

296. An examination of Payment Voucher# 0426 dated 1 April 2008 processed in the name of the Secretary of the Senate, J. Nanborlor F. Singbeh in an amount of US\$2,000.00 was intended for the preparation of the bill of ratification in favour of Regal, Repsol and Woodside companies agreements for Block 8,9,15,16, and 17. The action of Senate Secretary Singbeh is a

direct conflict of interest, prohibited by Article 90 (a) of the Constitution of Liberia and Section 131 of the PPC Act, 2005. Further examination of the document revealed the following:

- Request for the payment was made by Christiana N. Harmon, Human Resource Manager of NOCAL, without being invoiced by the payee J. Nanborlor F. Singbeh.
- There was no evidence of work performed as copy of the bill of ratification was not presented for audit scrutiny as evidence to the payment voucher.
- Payment receipt from J. Nanborlor F. Singbeh acknowledging receipt of payment was also not attached to the payment voucher.
- Contractual agreement was not made available for audit, much less a material justification for making a payment to the Secretary of the Senate for work that he is already paid to perform.
- Procurement Committee minutes selecting Singbeh were not attached to payment voucher.
- It was also observed in the preceding paragraph that NOCAL hired the services of Board Member Stephen Dunbar for the performance of legal Services for the period under review. Instead of utilizing the services of the Board Member Dunbar, NOCAL hired Singbeh for the preparation of the bill of ratification that was to be attached to the agreements of Regal, Repsol and Woodside companies for Block 8,9,15,16, and 17 to be submitted to the 52nd Legislature for ratification. Financial Rule 26 states that payment should not be made to serving Government employees under professional services. J. Nanborlor F. Singbeh, Secretary of the Senate, as a serving government official was paid US\$2,000.00 by NOCAL in contravention of the Financial Rule 26. A letter was written to Senate Secretary J. Nanborlor F. Singbeh, but he failed to respond to my query.

Consultancy Agreement with Aries Security Service Incorporated

297. During the period under review, it was observed that NOCAL made several monthly payments to the Aries Security Service, totalling US\$2,600.00 for security guard services.

298. The following issues were observed with these payments:

- There were no contractual Agreement between NOCAL and Aries Security Service.
- Procurement Committee minutes selecting Aries Security Service were also not made available for audit, thus making it impossible to determine the basis on which they were selected and paid.

Risk

299. NOCAL Board members who accepted to perform roles other than NOCAL Board roles risk placing themselves in conflict of interest position, a violation of Article 90 (b) of the Constitution of Liberia and Section 131 of the PPC Act, 2005.
300. Non-adherence to payment terms under the various consultancy agreements could signal collusion on the part of management.
301. NOCAL Procurement Committee minutes and bid documents not availed for audit could show lack of transparency in the award of consultancy contracts.
302. The omission of relevant documentation on consultancies entered into by NOCAL could lead to loss of funds through non-performance and deficient services rendered to the Company.
303. NOCAL could be awarding contracts to insiders in the company to the disadvantage of other legal businesses in the Country.
304. NOCAL could be paying contractors for no services rendered, as there was no evidence of work performed (e.g. progress reports, certificate of satisfactory completion etc) and this could signify collusion between management and the hired consultants.

Recommendation

305. Marie E. Leigh-Parker, Vice President for Finance and Henry M. Gray, General Services Director and Fulton M. Reeves should be made to provide justification for the omissions noted with the consultancies granted to the six (6) individuals and firms. The justification should include supporting documents relating to the contractual agreements including, Procurement Committee minutes, bid documents and copy of certificate of completion signed by the General Service Director as a basis of payment.
306. Management should ensure compliance with the dictates of Section 68 of the PPC Act on the awarding of consultancy contracts.
307. Stephen Dunbar and Peter B. Jallah should be held accountable for conflict of interest and be sanctioned for violating Article 90 (a) of the Constitution of Liberia and Section 131 (c) of the PPC Act, 2005. The amounts paid to them in the tune of US\$15,615.00 and US\$500.00 respectively should be recovered from them and deposited into NOCAL's account within 30 days upon receipt of this report.
308. Senate Secretary J. Nanborlor F. Singbeh should be made to restitute the US\$2,000.00. He was served an audit query, but he failed to provide a response.

Management's Response

309. No Management's Response was obtained on this issue despite the issuance of Audit Observation Memorandum (AOM) and a Management Letter to Management.

Non Existence of Internal Audit Unit (IAU)

Observation

310. An Internal Audit Unit (IAU) is an independent appraisal unit that examines the adequacy and effectiveness of controls instituted within an entity. The objective of this Unit is to assist management with risk analysis, appraisals, recommendations, counsel and information to promote efficiency, effectiveness, economy and orderly operations.
311. The Institute of Internal Auditors (IIA) endorses the above roles of Internal Auditors. IIA Performance Standard 2010 (planning stage) requires the Head of Internal Audit (IA) to establish risk-based plan to determine the priorities of the IA's activities consistent with the organization's goals. The Standard further requires the implementation of the IA's plan using risk assessment undertaken at least annually. The inputs of Senior Management and Board should be considered in the process as a fulfilment of IIA Performance Standard 2010.
312. IIA Performance Standard 2060 captioned –"Reporting to the Board and Senior Management" – provides that "the IA should report periodically to the Board and Senior Management on the internal audit activity, purpose, authority, responsibility, and performance relative to its plan. The reporting should include significant risks and control issues, corporate governance issues and other matters needed or requested by the Board and Senior Management".
313. Reliance would be placed on the IA operations outlined if these were to be pursued and adhered to by NOCAL. Notwithstanding, the outlined IA functions listed above and the fact that the Company was established nine years ago, an Internal Audit Unit did not exist at NOCAL. Audit Committee neither existed at the level of NOCAL Board of Directors.

Risk

314. The IAU is an independent review mechanism established by Management to ensure, in a nutshell, the attainment of the entity's overall objectives in an orderly, efficient, economic and effective manner. Thus, the non-existence of an IAU is a drawback to the Company's attainment of its objectives. This is because abuses and misuse of Company's resources may not be detected and reported for corrective measures in a timely manner.

Recommendation

315. The Board of Directors should immediately establish an IAU and employ a qualified internal auditor to head the Department.
316. The internal auditor, when appointed, should submit quarterly reports on the operations of NOCAL to the Board of Directors and Senior Management simultaneously.
317. To enhance IAU reporting, findings contained in the reports should clearly indicate the financial and material risks that were identified, and recommendations should be provided to address these risks.

318. The IAU, when established, should submit copies of their report to the Auditor-General of Liberia, consistent with Section 38 of the PFM Act, 2009.
319. Reports of the IAU should be referred to the Independent Audit Committee established at the level of the Board.

Management's Response

320. *The creation of Internal Audit Unit (IAU) and its relevant functions were discussed in our last retreat held in Grand Cape Mount County. It was planned that the IAU section would be put into proper perspective in the next fiscal budget for 2009/2010 and an office space provided since in fact we do not have enough office space. The Management has been systematically and on a gradual basis creating those relevant sections that are critical to its operations prior to the acquisition of its own facilities with more offices as provided for in its Five Year Strategy Plan.*
321. *It was based on this that the geology section had been established which takes into consideration the senior geologist and the environmental geologist. Moreover, the Company's provision for an internal audit section in the fiscal year 2009/2010 was in line with GOL memorandum number EJS/MOS/RL.204. '09 section 6 entitles "Audit Committee".*
322. *Among other things the audit committee is mandated to review the financial performance of the corporation and recommend to the Board where improvements are necessary. Also, the committee is given the task to contract the Corporation's independent auditors and the independent auditors shall report to the Board of Directors. Finally, efforts are being exerted to obtain copy of the IIA's "Red Book" in order to improve our internal auditing standards".*

Auditor General's Position

323. The Management was urged to ensure an early establishment of the IAD within NOCAL and make it operational with qualified internal auditors. The Auditor General supported management efforts in drafting a Terms of Reference for qualified internal auditor consistent with IIA International Professional Practice Standards.

Absence of Financial Regulations and Accounting Manual

Observation

324. In accordance with good practice, a public corporation should formulate and institute a set of financial rules and policies, which will provide a complete and consistent basis for the financial administration of the corporation, with the approval of the Board of Directors. These rules and policies will also serve as a control tool for management and a guide for the accounting staff in the preparation of accurate financial statements for periodic financial reporting, to enhance accurate reporting, consistency and transparency.
325. Contrary to the above, the Chief Accountant, Timothy Wiaplah, disclosed that NOCAL did not have financial rules and policies, and an Accounting Manual. As a result, there are no financial rules and policies governing the operations of the Company and outlining revenue and

expenditure procedures, processes and controls. It was however noted that the Company had drafted what it termed as "standard operational procedures of financial practice" which was yet to be approved by the Board. In my view, these proposed procedures did not provide for much guidance as are ordinarily provided in financial rules and policies.

Risk

326. The absence of financial rules and policies makes the financial operations of the Company devoid of controls, whilst the management of revenue and disbursement of funds was left at the discretion and personal judgment of Management. This situation could provide opportunities for errors, fraud, and other anomalies.

Recommendation

327. Management, in consultation with the Board of Directors, should take prompt action to constitute a committee made up of professionals to draft financial rules and regulations for the approval of the Board.

Management's Response

328. *"Our present accounting manual was modelled to include the generation of the Company's revenue and how payments are made in line with GAAP".*

Auditor General's Position

329. Financial Rules and Policies serve as a control tool for management and a guide for the accounting staff for the effective and efficient management of the entity's resources. Therefore, the rules and policies should be instituted.
330. NOCAL's contention that its accounting manual is consistent with generally accepted accounting principles (GAAP) is without merit. NOCAL did not even indicate which GAAP, as for example United States' GAAP, British GAAP, IPSAS, IFRS, etc. Furthermore, the financial statements, as noted in preceding sections of this report, showed that they were not prepared on the basis of GAAP.

Cash and Bank

Observation

331. An examination of transaction records provided for audit revealed that NOCAL operated three bank accounts during the period under audit. The accounts include one Liberian Dollar account and two United States dollar accounts.
332. The three accounts maintained by NOCAL for the period under audit were at Ecobank Liberia Limited. The balances of these accounts at the beginning and ending of 2006/2007 and 2007/2008 Fiscal Year were as follows: Ref. Tables 5A & 5B

TABLE 5A: Accounts Maintained by NOCAL (2006/2007)

Account Title	Name of the Bank	Account Number	Opening Balance as of July 01, 2006 per Bank Statement		Closing Balance as of June 30, 2007 per Bank Statement	
			L\$	US\$	L\$	US\$
Operating Account	Eco Bank	10210030612011		72,863.39		23,854.74
Hydro Carbon Account	Eco Bank	10210030612027		-		79,659.37
Special Account	Eco Bank	10210030611015		-	871,059.46	
Total				72,863.39	871,059.46	103,514.11

TABLE 5B: Accounts Maintained by NOCAL (2007/2008)

Account Title	Name of Bank	Account Number	Opening Balance as of July 01, 2007 per Bank Statement		Closing Balance as of June 30, 2008 per Bank Statement	
			LD\$	US\$	LD\$	US\$
Operating Account	Eco Bank	10210030612011		23,854.74		272,723.63
Hydrocarbon Account	Eco Bank	10210030612027		79,659.37		7,693.88
Special Account	Eco Bank	10210030611015	871,059.46		2,483,026.74	
Total			871,059.46	103,514.11	2,483,026.74	280,417.51

333. My examination indicated that NOCAL did not maintain Cash Books for the three accounts maintained during the years.
334. Bank Reconciliation Statements were not prepared for the accounts maintained during the period under review.
335. It was also observed that NOCAL did not maintain separate files for each bank account. Bank Statements for the three accounts were being mixed up in the same Box file. This made it difficult to relate source documents to the respective accounts.
336. The NOCAL Balance Sheet for 2006/7 indicated US\$108,811.23 as Cash Balance for the fiscal year. However the bank statement revealed an amount of US\$118,532.32. **Annexure 7A.** Similarly, US\$1,033,358.57 was reported as Cash Balance for the 2007/8 fiscal year; the bank

position was US\$321,801.29. In the absence of bank reconciliation, the true cash positions for the two fiscal years were unknown. **Annexure 7B**

337. NOCAL reported US\$5, 279.55 in the Income Statement as Bank Charges for the fiscal period 2006/2007. However, bank charges traced from bank totalled US\$4,282.50 thereby creating a variance of (US\$997.05).
338. It was also observed that NOCAL reported US\$19,602.00 in the Income Statement as Bank Charges for the fiscal period 2007/2008. However, bank charges traced from the bank totalled US\$32,048.45 thereby creating a variance of (US\$12,445.45).

Risk

339. The non-maintenance of cash books and non-compilation of bank reconciliation statements could impact the financial administration of the Corporation as follows:
- The true cash position of the Company at any time may not be easily established.
 - Irregular dealings of the Company through the bank, such as thefts, unauthorised transfers and other abuses may not be promptly uncovered.
 - It could increase the risk of bank fraud by unscrupulous bank clerks and these fraudulent acts may go undetected.
 - Genuine errors or omissions could remain undetected.
340. This control deficiency could therefore deny assurance that NOCAL operation of its bank accounts were devoid of wrongdoings.

Recommendation

341. The Vice President for Finance institutes Cash Books for its bank accounts, record all its cash movements in the cash books and prepare monthly reconciliation statements to verify dealings with the banks.
342. The Comptroller should critically examine all of the omissions observed above, document any deviations noted and investigate them to their logical conclusion.
343. The Comptroller should maintain separate Box files for each Bank Account.
344. The Comptroller should review all monthly bank reconciliation statements prepared, investigate and document discrepancies.
345. The Vice President for Finance should sign off the monthly bank reconciliations and provide a copy to the Internal Audit Unit for audit purposes.

Management's Response

346. *The bank reconciliation that was first prepared by Management prior to the commencement of the audit was based on the cash book balances that covered calendar years transactions for the two fiscal years. The auditors requested that we exclude transactions that did not affect the fiscal year. Our running cash book balances were now different from the first set of bank reconciliation statements prepared earlier that were based on the calendar year transactions and therefore had to be changed to correspond with the fiscal years' data.*
347. *As a result of this and in compliance with audit for additional information being requested, we experience a delay in the submission of new bank reconciliation that was in line with the two fiscal years. However, Management has opened a new bank reconciliation file where all monthly bank statements are maintained with all reconciled statement attached.*

Auditor General's Position

348. I accept management's position that it has created a new file for bank reconciliations. I maintain that management should perform bank reconciliations for the periods under audit and have them reviewed and signed off. Copies of the prepared bank reconciliations should be submitted to the Auditor General within one month upon receipt of this report.

Maintenance of petty cash policies and related procedures

Observation

349. The Management of NOCAL operated without petty cash policy and related procedures. The policy and procedures define the uses to which the fund can be applied, fund's ceiling, authorities established for disbursements from the fund, how employees are reimbursed from the fund and the manner in which the fund is replenished when exhausted. Petty Cash Cashier normally serves as the custodian for the petty cash.
350. Contrary to this conventional practice, the management of the National Oil Company of Liberia (NOCAL) designated the Human resource Manager as the Chief Custodian of petty cash instead of dedicated cashier. Also, neither the Comptroller nor the Vice President for Finance was designated as approving authority for disbursements from the petty fund.
351. Scrutiny of the Fiscal Budget and the budget performance report for the fiscal period 1 July 2006 – 30 June 2008 revealed that US\$100.00 was budgeted as petty cash for the period July 2006-June 2007. Management however expended US\$1,800.25 and L\$22,340.00 without approval from the Board of Directors, as no evidence of such approval was sighted. **See Annexure 8**
352. For 2007/8, NOCAL Board made no appropriation for petty cash but Management disbursed L\$63,999.00 through petty cash without approval by the Board of Directors, as summarized in the table below and Reference **Annexure 8**:

Table 6: Disbursement Made by Management without Board's Approval

Fiscal Year	Budget Amount US\$	Budget Amount L\$	Actual Expenditure US\$	Actual Expenditure L\$	Excess Over Budget US\$	Excess Over Budget L\$
06 July-07 June	100.00	0	1,800.25	22,340.00	1,700.25	22,340.00
07 July- 08 June	0	0	0	63,999.00	0	63,999.00
Total	100.00	0	1,800.25	86,339.00	1,700.25	86,339.00

Risk

353. The establishment of Petty Cash Fund without related policy and procedures could provide opportunities for abuse of liquid resources of NOCAL.

Recommendation

354. The President/CEO should establish policy and procedures on petty cash fund with the view of defining all aspects of its management.

355. To safeguard the integrity of disbursements from the fund, fairly senior personnel such as the Vice President for Finance or the Vice President for Administration should be designated as an authority for the approval of all petty cash disbursements.

Management's Response

356. *The role of the Board of Directors is to provide oversight to the entity versus the role of the Management who Manage the daily operations of the business. The management of petty cash does not fall within the purview of the board of Directors, is not a budget item and is used primarily as a facilitating tool to allow for the purchase, payment and reimbursement of nominal and sundry expenses on a daily basis. Hence, there is no need for board of Director Approval.*

357. *Petty cash purchases and expenses are accounted for through the petty cash reconciliation process with the use of vouchers, cash receipts, payment vouchers and other documents.*

358. *The used of separate cashier to handle petty cash receipts of disbursements is not only archaic but a waste of company's financial and capital resources. NOCAL is not a retail organization that is involved in the daily handling of various amounts of cash to warrant the hiring of cashier.*

359. *Management notes this observation and will review its petty cash approval and disbursement policy with a view to further understanding the risk noted.*

Auditor General's Position

360. Management provided several contentions that are without merit and indicate management limited understanding of corporate governance issues. First, management contended:

"The role of the Board of Directors is to provide oversight to the entity versus the role of the Management who Manage the daily operations of the business. The

management of petty cash does not fall within the purview of the board of Directors, is not a budget item and is used primarily as a facilitating tool to allow for the purchase, payment and reimbursement of nominal and sundry expenses on a daily basis. Hence, there is no need for board of Director Approval."

361. By management's contention, it admits that the Board of Directors have the responsibility to provide oversight of NOCAL's management. The Board therefore can decide to establish a monetary threshold for each expenditure category. Hence the management's contention that petty cash is not a budget item and therefore not under the oversight function of the Board cannot be sustained. The Board can decide to approve a monetary threshold as well as financial management and reporting requirement for petty cash.
362. The Management also misunderstands the distinction between approval and routine, day to day financial management. For example, approval can be contained in Board policy setting monetary threshold for each transaction. But management would like to accept that it can determine unilaterally how much is paid through petty cash without any oversight by the Board of Directors. Petty Cash is a risky area that can be easily abused without clearly defined parameters, approved by the Board of Directors.
363. The Management further provided explanation that clearly indicated that it lacks basic understanding of financial management. Management asserted:

"The used of separate cashier to handle petty cash receipts of disbursements is not only archaic but a waste of company's financial and capital resources. NOCAL is not a retail organization that is involved in the daily handling of various amounts of cash to warrant the hiring of cashier."

364. Management's contention is not supported by evidence or known accounting practice. For example, management did not provide any evidence to indicate that a separate petty cashier is "archaic." In fact, accounting practice internationally and other state-owned enterprises showed that there is a separate petty cashier. In fact, accounting controls required that the petty cashier is bonded.
365. Management further contention that NOCAL is not a retail organization and therefore did not need a petty cashier speaks once more to a rudimentary understanding of financial management on the part of NOCAL's officials. Multi-national corporations, such as Unisys where I worked, have a petty cash custodian and Unisys is not a retail organization. Management provided no proof that only retail organizations are supposed to have in place a separate petty cash custodian.
366. Management continued to provide explanation that is not consistent with the observation. Management asserted:

"Petty cash purchases and expenses are accounted for through the petty cash reconciliation process with the use of vouchers, cash receipts, payment vouchers and other documents."

367. The issue in the observation is not about accounting petty cash transactions. Instead it dwelt on policy and procedures for petty cash, as well as the need for effective checks and balances in the management of petty cash. Instead of addressing the lack of petty cash policy and procedure comprehensively, management focused its argument on how petty is accounted for. This further demonstrated that management did not read critically the issues raised before submitting responses.
368. I therefore maintain all my recommendations, as management explanations are not supported by facts or accounting practice. Instead, management own explanations expose its limited understanding of accounting and financial management practices.

Safeguarding of Assets within NOCAL

Observation

Fixed Assets not appropriately embossed

369. Assets of the Company, such as vehicles, computers, generators, air conditions, furniture and other high value items, among others, did not have on them appropriate markings of identification numbers or code as an indication that the items are the property of the Company. The Company's assets were embossed with removable stickers bearing the Company's name. This is not an appropriate coding method as these removable stickers can easily be removed and unscrupulous staff/personnel could easily take away the assets.
370. Effective control over assets is based on the efficiency and effectiveness of the accounting policy used. The principal issues in accounting for assets involve their identification, the determination of their carrying amounts, depreciation charges and impairment losses to be recognized in relation to the asset.
371. Therefore, as part of the internal control measures, all assets of an organization should be embossed with conspicuous identification numbers to indicate ownership of the asset in the event of theft or dispute over ownership.

Insufficient records on Fixed Assets

372. Safeguarding the assets of a public corporation is an essential element of an entity's internal control as earlier indicated. Therefore, Management must institute requisite measures which must include but not limited to maintenance of Fixed Assets Registry, fixed assets ledger and a well documented policy on the disposal of fixed assets that will properly safeguard the entity's assets.
373. Additionally, as part of my review, NOCAL Fixed Assets Registry and other documentation on the assets were requested to verify whether assets of the Company are properly documented

and safeguarded, assets procured are in existence and in the name of the Company as well as being used for its benefit.

374. The review noted instances where assets purchased by the entity were not properly listed in the Fixed Assets List. These lapses took the form of absence of information such as serial numbers, date of acquisition, departmental code, cost of acquisition, etc. on the Company Fixed Assets List. Furthermore, there was no policy on the disposal of NOCAL's Assets, fixed assets ledger was not being maintained as well as a depreciation schedule. As a result, I could not provide assurance on whether the Company's Assets have been properly safeguarded and accurately disclosed in the final accounts.

Failure to follow PPC Act, 2005 in procurement of vehicles: (US\$ 25,500.00)

375. Also, I reviewed compliance with Section 55(1) (d) of the PPC Act on sole sourcing. The Act stipulates that public procurement by means of sole source procurement method is permitted only in the following circumstances, inter alia:

- In case of extreme urgency, provided the circumstances which gave rise to the urgency are neither foreseeable by the procuring entity nor the result of dilatory conduct on its part.
- When only one supplier has the exclusive right to manufacture the goods, carry out the works, or perform the services to be procured and no suitable alternative available.

376. Additionally, section 54(1) of the same Act states that quotations shall be requested for in writing from as many bidders as practicable, but from at least three (3) bidders. Furthermore, the PPC Act threshold requires that contracts award shall be published when the estimated value of the contract is above US\$25,000.00, in the case of contracts for the procurement of goods.

377. Review of procurement records revealed that a budgetary allotment for the acquisition of two jeeps in 2006-2007 budgets was accordingly approved by the Board of Directors. On 21 June 2007, nine (9) days to the expiration of the budget year, the Vice President for Administration & Finance, Marie E. Parker, wrote to the Chairman of the Public Procurement and Concession Commission seeking for a no objection to procure a particular GMW Hover Jeep at a cost of \$25,500.00 for use by her office. However, it was observed that in procuring GWM Hover CUV 5 door jeep for the Company, the quotation process and publication of contracts award as required under Section 54 of the PPC Act were not followed. As a result, control procedures provided under the sole sourcing for efficient screening and selection of lowest responsive evaluated bidder were not undertaken.

378. Though the Vice President indicated in her letter to Joseph S. Neufville, Executive Director of the Public Procurement and Concession Commission (PPCC) that "the procurement committee of NOCAL in her wisdom decided to solicit (4) pro-forma invoices for analysis with the view of determining most advantageous quotation for selection and award of contract," only one

invoice was actually attached to the voucher, which is also a violation of section 54(1) of the PPC Act.

Vehicles Verification

379. I was furnished with Asset List, though I called for Fixed Assets Registry of the Company. The Assets List provided lacked vital information including depreciation charged, book values, disposal details, etc. **Exhibit 5** A physical verification of NOCAL assets including vehicles revealed the following issues:

380. Two vehicles procured by the company were not included on vehicle listing provided to the audit team. Henry M. Gray, the Manager for General Service quoted the value for the two vehicles at US\$79,740.00. The audit team requested for the underlining documentation on the vehicles but Management refused to disclose the details on ground that the procurement of the said vehicle was outside the period under audit. This assertion by management is without merit because there is no limit on which period I can audit. I am under legal obligation to audit matters that come to my attention during the course of the audit, which I have determined to have significant impact on the opinion that I rendered. The quoted value of the unrecorded assets is detailed in Table 7:

Table 7: Quoted Value of Unrecorded Assets

Date	Description	Engine #	Serial #	L P: #	Assigned To	Cost
09/12/09	TOYATA FORTUNER	2TR-FE	MHF-Y-X-59GX88013612	BC-3021	VPA	45,000.00
07/29/09	Toyota Hilux twin-cabin-pick-up	2KD-FTV	KUN25L-PRMDHV	BP-2317	Utility	34,740.00
	Total					79,740.00

381. Additionally, two other vehicles that were contained in the Assets Listing were not physically seen during the verification. Management could not provide the cost basis for the assets recorded on the Listing. Management did not also provide payment voucher, registration certificate for the assets on the Assets Listing. The US\$74,685.00 quoted value of the unseen vehicles is detailed in Table 8:

Table 8: Quoted Value of Unseen Vehicles

Date	Description	Serial #	Location	Assigned To	Cost Us\$
04/23/2008	Toyota Hilux twin-cabin-pick-up	N/A	BP-0876	Utility	29,995.00
06/29/04	Toyota Prado/Blue	SL5335348	BC-1967	President/CEO	44,690.00
Total					74,685.00

382. Management indicated that the vehicles in question were disposed off, evidence of which could not be provided by Management after several follow-ups to the offices of the Comptroller, Fulton Reeves and the Vice president for Finance, Marie E. Parker. Besides these two vehicles mentioned above, management again indicated that five additional vehicles which I noted from

my review of insurance documents provided for audit were also disposed off. The details of the five vehicles are provided in **Table 9A:**

Table 9A: Vehicles Purportedly Disposed off

No.	Year Model	Trade Name	Serial Number	Comment
1	2003	Toyota L/Cruiser Prado Jeep	JTEBK29J80-0003346	Value unknown
2	1997	Nissan Pathfinder Jeep	JN8ARO554WW217601	Value unknown
3	2003	Toyota Hilux 4x4 D/cabinL/Cruiser Prado Jeep	JTFDE62690-0116604	Value unknown
4	1995	Toyota Corolla Sedan	2T1AED9B25C103228	Value unknown
5	2002	Hyundai Elantra Sedan	KMHDN41BP2U441666	Value unknown

383. Management failed to provide evidence of ownership of these vehicles even though they appeared on the insurance document but no documentary trails were maintained by the Corporation such as payment vouchers, registration certificate, bill of sales etc. These vehicles were listed on insurance document provided by NOCAL Management from Atlantic Life and General Insurance Company. The insurance document revealed that these five vehicles were insured by Atlantic Life and General Insurance Company for 2006/2007 and 2007/2008 Fiscal Periods.

384. The Management could not provide evidence of disposal including listing of bidders, date of disposal, communication from Vice President for Finance to the president/ CEO of the Corporation, disposal process and procedure, approval from the Board of Directors and account for the proceeds derived from the disposal as prescribed by PPC Act of 2005.

385. Part VII of the PPC Act of 2005 sets the procedure for asset disposal. Section 123(1-3) of the Act sets the grand rule for disposing government assets and states that:

- i. "(1) A department with obsolete stores or unserviceable equipment and plant shall send a disposal request to the Minister responsible for Finance.
- ii. (2) The Minister responsible for Finance shall if satisfied, authorize the head of the entity to convene a disposal committee comprising representatives of the entity and persons with relevant expertise and the board shall after carrying out inspection recommend the best method of disposal in accordance with Section 124.
- iii. (3) The committee's recommendations shall be subjected to approval of the head of entity."

386. The Management did not provide evidence that the process leading to disposal of government asset as clearly defined under the above provision was adhered to. Management neither

provided evidence that the procedures set in Section 124 (1-3) of PPC Act of 2005 were followed during the purported disposal of the corporation assets. Section 124 (1-3) of PPC Act specifies the various modes of disposing government asset.

Unverified Equipment US\$ 4,195.00

387. Additionally, a number of equipments were not presented for verification. These are listed hereunder.

388. Eight (8) pieces of equipment listed on the Fixed Assets Listing provided for audit with total value of US\$4,195.00 as detailed in **Table 9B**.

Table 9B: Equipment not Verified

No.	DATE	QTY	DESCRIPTION	Serial#	LOCATION	ASSIGNED CODE.	COST US\$
1	3/31/2009	1piece	Toshiba Laptop	18031887Q	Finance Department	NOCAL/VPF/E-0177	1,600.00
2	2/18/2008	1piece	Keyboard	-0-	Technical Services	NOCAL/SPG/E-0181	N/A
3	7/24/2009	1piece	Laptop Toshiba	-0-	Serial #39371355q	NOCAL/VPT/E-0186	1,375.00
4	7/29/2009	1piece	Cash Box	-0-	GENERAL SERVICES	NOCAL//GSD/E-0187	45.00
5	8/12/2009	1piece	Desk phone	-0-	Administration	NOCAL/ADM/E-0188	20.00
6	8/11/2009	1piece	Desk phone	-0-	Finance Department	NOCAL/FD/E-0189	20.00
7	8/19/2009	1piece	Peculator	-0-	Administration	NOCAL/Adam /E-0190	35.00
8	3/1/2010	1piece	HP Laptop	X13-04657	Internal Audit	NOCAL/ IA/ E-0191	1,100.00
							4,195.00

389. Nine (9) pieces of furniture, four of which had no book value but the remaining five (5), with value US\$ 908.50, as detailed in Table 9C:

Table 9C: Furniture not verified

No.	DATE	QTY	DESCRIPTION	Serial#	LOCATION	ASSIGNED CODE.	COST US\$
1	3/31/2009	1piece	cupboard	-0-	President Office	NOCAL/PO/FF-0167	N/A
2		1piece	Table tamp	-0-	President Office	NOCAL/PO/FF-168	N/A
3		1piece	Scotch tape holder	-0-	President Office	NOCAL/PO/FF-169	N/A
4	9/7/2009	1piece	Cupboard	-0-	Human Resource Department	NOCAL/HRM/FF-0170	304.25

No.	DATE	QTY	DESCRIPTION	Serial#	LOCATION	ASSIGNED CODE.	COST US\$
5	3/31/2009	1 piece	Secretarial Chair	-0-	Finance Department/Secretary	NOCAL/FD/FF-0172	125
6	3/31/2009	1piece	Secretarial Chair	-0-	Administration Department	NOCAL/FD/FF-0173	125
7	3/31/2009	1piece	Cupboard	-0-	Finance Department	NOCAL/FD/FF-0180	N/A
8	5/10/2009	1piece	Cafe Table	-0-	ES/President's Office	NOCAL/PO/FF-0183	50.00
9	9/7/2009	1piece	Cupboard	-0-	Human Resource Department	NOCAL/HRM/FF-0190	304.25
							908.50

390. The Management operated without policy and procedure on Asset Management. Such a policy will define authorization for the procurement and disposal of assets. Besides, the policy will set procedure for assigning assets to department either on the temporary or permanent basis. The policy will also define procedure for moving asset from one department to another department within the corporation or outside the Company premises.
391. Due to the lack of this basic principle of accounting, I noted during the verification that nine (9) pieces of equipment and nineteen (19) pieces of furniture that were reported to have been assigned in one Department were verified in another Department of the Company without indicating on the assets listing provided to the previous and current location of these assets for easy location. This could be accomplished through maintenance of asset movement log that track previous and current location of the assets within the company. These misplaced assets are listed in **ANNEXURE 18A**.
392. Further verification also revealed that management did not record some basic equipment and furniture on the listing provided. The audit team requested for the **full** listing of asset owned by the Company since this was the first audit commissioned by me since the Corporation was established in 2000 by an Act of National Legislature. The list provided did not include sixteen (16) pieces of equipment and thirteen (13) pieces of furniture that were identified by the audit team during the physical verification as detailed in **ANNEXURE 18B**.

Risk

393. The absence an embossed identification numbers or codes on the Company's properties could cause difficulty in the event of theft or dispute over ownership.
394. Substandard and old items could easily be swapped for the Company's new and expensive items as detachable stickers used to mark its assets could easily be removed and placed on old items. Thus, people may not be deterred from taking away the Company's property because identification marks can easily be removed.

395. Also, the non-adherence to PPC Act provisions on sole sourcing denies assurance that quotations selected for supplies are the lowest responsive evaluated bids. In other words, the Company could not have obtained value for money.
396. Non-maintenance of proper accounting records for NOCAL assets could lead to material misstatements in the entity's assets stated in the balance sheets. It may also expose the assets to theft and misapplication by dishonest employees.
397. Disposal of corporate assets without due regard to the provisions of the PPC Act could be exploited to the detriment of NOCAL. Assets such as vehicles could be undervalued and sold to insiders, friends or business partners at the detriment of NOCAL and by extension taxpayers.

Recommendation

398. The President/CEO should ensure that management immediately embarks on an exercise to emboss all assets of the Company; this exercise should involve the update of the Fixed Assets Registry.
399. A policy on fixed assets disposal, consistent with the provisions of the PPC Act on asset disposal, should be instituted by the Board to ensure that service potential in Company's assets, where possible, are exhausted before their disposal.
400. Tender procedures outlined in the PPC Act should be strictly adhered to.
401. Marie E. Leigh-Parker, Vice President for Finance, Fulton D. Reeves, Comptroller and Henry M. Gray, the General Service Manager, should be held accountable for nine (9) vehicles on, and outside the assets listing as well as equipment and furniture that were not presented for physical verification. They should also be investigated by the NOCAL's Board of Directors for providing authorization for the disposal of, and documentation on the disposed assets.
402. The President/CEO should ensure that management maintains a Fixed Asset Registry that is timely updated and include therein, profile of all assets owned. The assets' profile should include material alteration and repairs undertaken on the Company's assets.
403. Marie E Leigh-Parker, Vice President for Finance, Fulton D. Reeves, Comptroller and Henry M. Gray, the General Service Manager, should ensure that the two verified vehicles on the premises of the Corporation and other verified assets during the physical verification, which were not included on the assets listing, are included on the Corporation Fixed Assets Registry. The Registry should be regularly and timely updated whenever an asset is procured and disposed of by the Company.

Management's Response

404. *The observations regarding the marking of NOCAL fixed assets have been reviewed and we do agree that the stickers can easily be removed; as a result we have begun the process that will*

lead to all of NOCAL assets being embossed thereby making theft more difficult and their identification easier and permanent. All assets have been done accordingly;

405. *Regarding our Fixed Asset Registry currently being kept, we indeed recognize the absence of some information such as voucher numbers, checks numbers and depreciation which we did not deem necessary. Based however on your recommendations and the fact that in our view their inclusion will make your subsequent work here much easier we shall from this point forward add four additional columns: one for voucher #, another for check #, a third for disposals, and a fourth for depreciation. They have already been done;*
406. *On the issue of the US\$25,500.00 vehicle purchase we fail to see how the PPCC was bridged, since in fact we followed section 54(1) of the act and obtained not only three but four (4) quotations as mentioned in our communication to the Commission. However our failure to file all four (4) quotations with the voucher may have given rise to your observation. Please find attached copies of the four quotations and other documents for your perusal. Additionally, given the US\$25,500.00 package value we should have published the contract award; be assured that subsequently all such contract awards shall be published; and*
407. *We shall take all your recommendations into consideration as we go forward.*
408. *We acknowledge receipt of your audit observation memoranda and respond as follows:*
409. *Management notes the comment on the maintenance register of a fixed asset register however, as the GAC is aware, NOCAL's operations were on a "cash "basis for the period being audited hence, the asset register maintained by NOCAL which was a listing of each asset ,location ,asset number, cost, and classification was sufficient. As NOCAL moves to accrual basis of accounting where depreciation expense is recognized, the fixed asset register shall conform to all the accounting standards and includes all assets of the company whether or not capitalized. All items that are capitalized shall include at minimum, the date of acquisition, the cost of acquisition, the location, asset number, depreciation method and life of the asset.*
410. *The vehicles registry with the 9 vehicles is noted.*
411. *The asset listing which was initially presented to the GAC was for the specific period that was being audited. It is disconcerting that the GAC chooses to mention the "uncovering "of asset that are outside of audit period or even choose to verify asset outside of the specific fiscal period ending June 30, 2006 and June 30 2007 .each of the "uncovered" vehicles were purchased in 2009. However, in light of the "uncovery" of the vehicles (BC#3021&BP#2317) please note that said vehicles are assigned to the vice president for Administration and General Services manager, respectively.*
412. *Furthermore, the two (2) vehicles (BP# 0876 & BC#1967) for utility and the president's use not verified during the physical verification exercise were disposed off, as a result could not be verified. See **Exhibit 5** for NOCAL assets/ vehicle records.*

413. *In addition to these vehicles, five (5) of the company's vehicles insured with Atlantic life and General Insurance company had already been disposed off. However, due to the audit team's request for vehicles insurance records, management has provided insurance records on the aforementioned vehicles because the company maintains a single file for these records and consequently, the vehicles disposed off records were also submitted.*
414. *NOCAL maintains an asset listing of the asset as well as records of the disposals of each asset. The company notes that risks associated with the improper records and the impact on the financial position of the company.*
415. *The Adoption of "CASH "Basis IPSAS by the central Government has nothing to do with the adoption of international financial reporting Standards (for companies) by NOCAL contrary to the risk noted by the GAC that "the entity might find it difficult to prepare reliable financial statements, including the balance sheet, in the absence of key documents outlined above" NOCAL's adoption of IFRS includes the revaluation and reverification exercise of all the fixed Asset.*
416. *While the verification of the assets are not within the current audit cycle, the management of NOCAL through the General Services Department shall make available the asset for verification. Updated fixed assets registers are available.*
417. *The financial and accounting management of the organization and NOT the president/ CEO is responsible for the overall maintenance and accuracy of the accounting records and as such, the recommendation that the president/CEO should ensure....." will be referred to the Sr. Vice president-Finance for action".*

Auditor General's Position

418. Management did not provide the referred "four (4) quotations "and "the vehicles disposed off records" to the audit team during the course of the audit or during the submission of its responses to me for verification. I have noted the responses of the officials of NOCAL. However, it is paramount that NOCAL continues to take practical steps that will ensure consistent and strict compliance with the PPC Act, 2005 while also exerting adequate control over the Company's assets.

Irregularities noted with NOCAL's travels

Observation

419. My examination of disbursement vouchers and its accompanying documents on payment of per-diem allowances to staff of the Company, who embarked on foreign and domestic travels during the periods under review, revealed a number of irregularities which are considered below.

Non-retirement of travel advance: US\$ 136,584.78

420. Section 23 of the Executive Travel Ordinance No.8 stipulates that upon return from abroad, officials of government are required to submit to the Ministry of Finance or the finance section

of the travelled officers in the case of autonomous ministries and agencies, a travel disbursement form within one week from the date of return or before the date of the next journey, whichever is earlier.

421. Contrary to these provisions of the Travel Ordinance, it was revealed from the examination of travelled records for the periods under review that travel advance payments totalling US\$136,584.78 made to NOCAL's officials for various assignments outside the city of Monrovia were not retired upon their return. As a result, the Company's travel advances paid to them, commencing from January 2007 to June 2008 have been outstanding for these periods. Details of the unretired travel advances are provided in **Annexure 14**.

Unsupported travel advance payments: US\$13,421.61

422. The guidelines and procedures regarding the travel of officials and employees on Government business as well as that of public corporations require, amongst others, the production of the following documents, which shall be submitted and attached to disbursement vouchers prior to the trip and upon return:

- Letter from visiting country, indicating the purpose of mission, destination, departure and return dates-i.e. duration of mission.
- Copy of approved travel program by the Board in the case of the President/CEO, and approved travel program by the President/CEO in the case of senior and junior management staff of the Company.
- Complete documentation supporting all expenses incurred on account of incidental allowances received other than per-diem allowances.

423. However, it was noted that several travels by officials of NOCAL between October 2006 and April 2008 amounting to US\$13,421.61 were without supporting vouchers and the above listed documents. These omissions implied that prior to the trip and upon returning to base, both management personnel and staff did not account for and report on the foreign travels, and no controls were exercised to ensure that the requirements were adhered to. Travel advance payments were made without supporting vouchers and other related documentation.

Over-payment of per-diem for foreign travels: US\$ 15,488.00

424. The Government of Liberia existing regulatory framework on per diem payment for foreign travels (i.e. Executive Ordinance No.8 of January 2007 – Policy on Per Diem Allowances for foreign travel by officials and employees of the Government of Liberia), set outs the per-diem rates for all foreign travels undertaking by employees and officials of Government and is applicable to State Owned Enterprises.

425. Contrary to the policies of the above regulation, it was observed that NOCAL established and used rate of per diem not provided for in the extant Executive Ordinance No. 8 for payment of both management personnel and other personnel of the Company who undertook foreign travels during the period under review. That is, the rate used exceeded what is approved by

Government. For instance, a per diem allowance given to the President and the Vice President for Finance of NOCAL to travel to Ghana was paid at US\$350.00 per day, whilst the approved per diem rate established by Government is US\$97.00 per day. This indicates an excess of US\$ 253.00 or 2.6 times over Government's approved per diem rate.

426. I did not observe any documentary authority that gave NOCAL the permission to establish or adopt a policy on per diem other than that contained in the extant Executive Ordinance No. 8. The non-compliance of the existing regulatory framework for the payment made on foreign travels resulted in the over-payment of allowances amounting to US\$15,488.00 to NOCAL management and staff during the period under review.
427. In reaction to my observation, the Senior Accountant, Timothy Wiaplah, indicated that management was unaware of the requirements contained in the extant Executive Ordinance No.8 of 2007. Details of the overpayments of per-diem to NOCAL's staff and officials are provided in **Annexure 16**.

Air tickets purchased without following PPCC Rules and Executive Ordinance

428. The Public Procurement Law as well as the Executive Ordinance No.8 states that at least three (3) quotations shall be obtained from vendors and the vendor who provides the lowest –priced quotation meeting the delivery, shall be the one that the procuring entity should choose to obtain supplies from. On the basis of this provision, three quotations for the purchase of air tickets should at least be obtained for every transaction relating to the purchase of air ticket.
429. However, it was observed that in number of cases of foreign travel from July 2006 to June 2008, NOCAL management did not comply with the provisions of the PPCC and bought air tickets from airlines without going through the prescribed procedures. It was also noticed that payments were also made in the name of the President and CEO, Fodee Kromah Vice President Marie E. Leigh Parker, Vice President for Finance, Jacob Sandike, Vice President for Technical Services and Albert T. Chie. Rather than making payments in the name of the vendor, these key management officials chose to make payments in their names for a routine job of purchasing tickets. **Annexure 9A**

Unreimbursed Travel Expenses in contravention of Contract Agreements

430. Article 5, Section 5.5, paragraph 4 of the contract dated 16 April 2007 entered with Oranto Petroleum Ltd. for Block LB 11 stipulates that all cost of the Joint Operating Committee (JOC) meetings held outside Liberia shall be borne by the contractor (Oranto Petroleum Ltd.). This provision means that whenever there is a meeting of the JOC held outside of Liberia, Oranto Petroleum Ltd. is responsible for the payment of per-diem and other related expenses incurred by members of the Committee from NOCAL.
431. However, contrary to the contract provisions, there were meetings held outside Liberia, which were attended by NOCAL's officials and travel advances amounting to US\$55,044.05 paid from NOCAL's account and not Oranto Petroleum Ltd. There was no evidence provided that NOCAL has sought refund or Oranto Petroleum Ltd has reimbursed NOCAL.

432. In another agreement between NOCAL and the Contractor (REPSOL) dated 17 August 2005, which states that members of JOC shall be entitled to attendance fees (payable by the contractor) in an amount to be approved by NOCAL and the Contractor for attendance in person at meetings of the JOC and, for JOC meetings held outside Liberia, the costs approved by NOCAL and the Contractor, for travel and accommodation of the JOC members will also be payable by the Contractor. The Contractor shall select the location of the JOC meetings. All cost of the meetings including attendance fees, travel and accommodation costs shall be recoverable as Petroleum costs.
433. Contrary to article 5, 5.7 of page # 13 of this agreement entered into between NOCAL and REPSOL on 17 August 2005, it was observed that payments amounting to US\$71,080.28 were paid to officers of NOCAL as travelling per diems, hotel accommodations, air port taxes and visa fees, as well as air tickets for those who were attending JOC meetings outside Liberia during the audit period (July 1, 2006 - June 30, 2008) on behalf of the Company as detailed in **Annexure 9B**.

Unrecorded travel advance payments: US\$ 16,567.80

434. Further review of related foreign travel payment vouchers and foreign travel listing presented for audit revealed that several travels made from September 2006 to November 2007 amounting to US\$16,567.80 were not recorded on the Company's list of foreign travels reported for the periods under review.

Uncollected reimbursement: US\$ 9,700.00

435. It was further noted from review of disbursement vouchers for the periods under review that US\$9,700.00 paid for the purchase of air tickets to Spain (a business trip to Repsol PYF) for Clemenceau B. Urey, Chairman of the Board and Dr. Fodee Kromah and Jacob Sandike, President/CEO and Vice President/Technical respectively, was subsequently reimbursed to the Chairman of the Board, Clemenceau B. Urey. A Memo dated 23 March 2007 from Marie E. Leigh-Parker instructed the Comptroller of NOCAL to make the payment that should have been reimbursed by TGS-NOPEC, the organizer of the business trip.
436. However, it was noted that this amount had not been refunded by TGS-NOPEC. The information was confirmed by Marie Leigh Parker, during a follow-up.

Inconsistencies in reported data: US\$26,592.19

437. It is the responsibility of the management of NOCAL to design and put in place internal controls that provide reasonable assurance regarding the reliability of financial accounting and reporting. The controls must ensure that the financial data is reliably authorized, processed, recorded and reported.
438. My audit revealed significant material weaknesses in NOCAL's financial records. The financial statements for 2006/2007 and 2007/2008 had significant errors that could not be reconciled to the underlying accounting records. For instance:

- Budget performance report for 2006/7 indicated US\$31,971.43 of travel advances while the financial statements reported US\$32,268.00; however, the underlying accounting records reported the same expenditure as US\$45,020.00. These abnormalities resulted in under-reporting travel expenses in the financial statement by US\$12,752.00. The difference remains un-clarified in the 2006/2007 financial statements.
- Again for 2006/2007, the budget performance report indicated US\$39,460.48 as payment for air tickets whilst disbursement vouchers on air tickets amounted to US\$22,209.64. In the financial statements it was reported as US\$20,824.00 of air tickets expense. As a result, air tickets expense is under-reported by US\$1,385.64 in the financial statements.
- Similarly, in July 2007- June 2008, the actual expenditure from the budget performance on travels advances/per diem was US\$52,845.00, while payment vouchers totalled revealed that a total of US\$61,336.00 was spent on travel per-diem; however, the financial statements indicated US\$50,275.00 of per-diem expense, thus under-reporting per diem expenses by US\$ 11,061.00.
- Additionally, air tickets expenditure for the same period per budget performance report showed US\$39,606.77, while the financial statements reported US\$39,156.75 of air tickets expense; however, actual expense records indicated that US\$ 40,550.30 was spent on air tickets, thus, under-reporting air tickets expense by US\$ 1,393.55 in the financial statement.

439. As a result of the discrepancies noted above, the company's financial statements were understated by a total amount of US\$26,592.19 for the two financial years.

440. These material deviations were the result of Management's inability to establish adequate internal controls over accounting records and financial reporting.

Risk

441. Management's non-compliance with the existing regulatory framework on payment for foreign travels could cost the Company substantially and unnecessarily, if the lapses noted are not addressed. This had the effect of dwindling the resources of the Company that could have been utilized elsewhere, towards the attainment of the Company's objects.

442. The incidence of material misstatements in travel and related expenditures would be high, thus impairing the truth and fairness of the financial statements for the fiscal years under review.

443. Long outstanding unreimbursed travel expenses made by NOCAL in line with contractual agreement may be uncollectable at the expense of the Company.

444. Non-adherence to provisions of the Executive Travel Ordinances could lead to abuse of resources of the Company as, for instance, per diem paid could be higher than that approved by the GOL.

445. Additionally, the absence of supporting documents to retire travel advances received by officials and employees of the Company could deny assurance that the trips were undertaken.

Recommendation

446. NOCAL Board and Management should strictly comply with the Guidelines and Procedures on Per Diem Allowances specified in the extant Executive Ordinance No. 8 & 9 issued by the Government in all matters relating to domestic and foreign travels of its personnel.
447. The amount of US\$9,700.00 paid as reimbursement to Chairman Urey should be collected from TGS-NOPEC.
448. The funds paid for the JOC meeting in the amount of US\$126,124.33 should be refunded by the contractors (Oranto Petroleum Ltd. and REPSOL) as per contractual agreement with NOCAL.
449. The President, Dr. Fodee Kromah and the Vice- Presidents, Marie Leigh Parker and Jacob S. Sandike, of the Company should be made to produce approval of their foreign trips by the Board, and failing this, all unapproved trips should be borne by the officials involved and should not stand as a charge to the Company.
450. The officials and staff of NOCAL who undertook foreign travels and did not submit related travel documents should be made to provide the documentation to retire their foreign trips or be made to refund said funds.
451. Management personnel of NOCAL, who were paid excess per diem as indicated above, should be made to refund the excess to the account of the Company. Management should henceforth desist from such omission.
452. The Vice President of Finance should reconcile for the period under review, the differences between the budget performance report and the financial statements, taking also into consideration the underlying disbursement vouchers which amounted to US\$26,592.19.

Management's Response

453. *NOCAL was unaware of the provisions of the Travel Ordinance and would hereafter obtain the Ordinance and act appropriately.*
454. *NOCAL was unaware of the guidelines and procedures regarding travel of officials and employees, but would henceforth act within these guidelines and procedures.*
455. *Oranto Petroleum Ltd. has been billed in its year 2 invoice for all travel expenses of the joint operating committee (JOC).*
456. *The record has been updated on unrecorded travel advance payments.*

457. *Normally, the Budget performance for the last quarter in the fiscal year is prepared before the end of the last month of the fiscal year. As such, figures for the last month are averages (and not actual) placed into the performance for the use by the board prior to the approval of the next fiscal year budget. However, these differences are noted and adjustments are in process to explain the differences in reported amount.*
458. *The purchase of air tickets without following PPC Act and Executive Ordinance were done inadvertently. Henceforth, NOCAL will abide by all the rules of the PPCC and the executive ordinance”.*
459. *Paragraph # 384-403: Again, the Audit Team did not state their review of subsequent events, as such; the issues mentioned under this section are reported incorrectly. Management is now implementing the updated travel ordinance of 2010 rather than the 2007 Travel Ordinance mentioned in the report.*

Auditor General’s Position

460. Though, the Management indicated that they were unaware of the Travel Ordinance and henceforth would obtain same and act appropriately, I urge management to be timely in its implementation of the recommendations made.

Unsatisfactory Stores Management

Observation

461. A substantial portion of public funds are largely invested in supplies and equipment for use by public institutions. As such, effective stores management is required in every set-up to ensure accountability and judicious utilization of public stores and equipment. Moreover, in normal procurement practices, Purchase Orders (POs) are prepared and placed with the most responsive supplier and it is expected that for proper control, records evidencing receipt and issuance of store items ought to be serially numbered and in an orderly manner to serve as a means of control and a sequence for distribution. It is also a requirement that whosoever received supplies on behalf of an entity must acknowledge receipt of the goods by signing a delivery note (DN) from the supplier of said goods, indicating that they were supplied.
462. However, I noted from review of procurement records that there were several instances where POs and DNs were not prepared in the procurement and delivery of goods for the Company. I also noted that the Company did not maintain store ledger and inventory cards for movement of store items kept in the storeroom. For instance:
- Between 1 January 2007 and 25 June 2008, payment for the supply of stationery and other consumable items totalling US\$1,329.50 were procured without DNs accompanying the supplies.
 - Also, between 8 January 2007 and 25 June 2008 procurement of stationery and other supplies amounting to US\$1,656.00 was not recorded in the Company’s store ledger/inventory card.

463. The lapses implied that the Company did not receive the goods which were bought at the cost of US\$2,985.50. Also, there was no proper control over the management of store items creating difficulty in tracing distribution.

Risk

464. Such uncoordinated and irregular procurement procedures and practices hinder effective monitoring and also blur audit trail. This could facilitate procurement lapses and losses.

Recommendation

465. The General Services Manager should ensure the preparation of quadruplicate copies of POs when placing orders.
466. Management should ensure that DNs should accompany all supplies procured, evidencing the receipt of goods.
467. Goods procured should be recorded in the Company's store ledger/inventory to enable easy tracking of distribution.
468. Henry M. Gray, Director of General Services did not provide substantive evidence to account for supplies in the tune of US\$2,985.50. As noted these supplies were ordered and paid for but there was no evidence that they were delivered. Henry M. Gray, Director of General Services should therefore be made to retribute.

Management's Response

469. *Effective January 28, 2009 NOCAL instituted the use of newly designed form for use in the procurement and supply chain, all of which are in triplicate self-carbonated and serially numbered. There are two forms used for the procurement of goods and services, the Purchase Order (PO) which is used for vendors and suppliers who supply on account, we also have the Cash Payment Requisition (C. P. Req) for vendors and suppliers who require cash payment. Regardless of which form is used, the same process outlined in the PPC Act is use in selecting the most responsive bidder. NOCAL is more than certain that purchases that do not carry PO would most likely have C.P. Req attached to them;*
470. *Payment of US\$91.00 was used to purchase cleaning supplies for a general clean up drive and was inadvertently not entered into the inventory cards as all the items purchased were consumable items and were used up; except for a few packages of powder soap which were left with the janitor;*
471. *Payment of US\$15.00 for a new USB Mouse, a USB is considered an asset and was treated as such. Assets are not entered into the Stationary & Supplies Inventory Cards;*
472. *Payment of US\$835.00 for the purchase of Stationary and Supplies, this Purchase Order was for a total of US\$1,989.40 the items not entered into the inventory cards are non-consumable items which are assets and were treated as such;*

473. *Payment of US\$345.00 for the purchased of Stationary and Supplies forms part of the balance brought forward from the 2006 inventory cards;*
474. *Payment of US\$220.00 logged as payment on account is not a single PO or Cash Payment Requisition but rather several. There is US\$30.00 for two pieces of USB Mouse. The mouse is an asset and was treated at such. There is a US\$10.00 for the purchase of one metal desk tray for the VP Administration and Finance. There is a Payment for four (4) packs of ink which must have been supplied directly and were inadvertently not posted in the inventory cards. To avoid a reoccurrence, measures have been taken as of the 4th Quarter Purchase 2008/2009;*
475. *Payment of US\$150.00 for the purchase of Power Supply and Cartridge, the Power Supply is an asset and at such was not posted in the inventory cards again the cartridge were inadvertently supplied directly and not posted; and*
476. *Your recommendations are noted and are being implemented”.*
477. *Paragraph # 340-342: the Audit Team did not indicate their review of events subsequent to the period under audit. If subsequent events had been considered, the Management Letter would have stated that this issue had been corrected by Management and all the fixed assets are now appropriately embossed.*

Auditor General’s Position

478. I acknowledge Management’s recognition of the control deficiencies over stores and emphasize that the measures recommended be implemented expeditiously. I take note of management’s explanations that it has remedied the deficiencies noted. But I still have to report significant deficiencies and material weaknesses as of date. I therefore maintain all my recommendations, as follow-up through my audit validation team will document improvement made with respect to audit report implementation.

Payment of Liability to Unregistered Entity

Observation

479. Section 1903 of the Revenue Code of Liberia 2000 states that “any person who knowingly engages in any business, enterprise, trade, service occupation or profession for which an annual license is required under the provision of this Title or any other statute, without having obtained such a license is guilty of a misdemeanour and upon conviction, in additions to other sanctions provided by law, shall be fined not more than \$25,000.00 or be imprisoned not more than 30 days, or both”.
480. Further, Title 14 Section 4.2 of the General Business Law, 1972 states “No person shall conduct or carry on a business unless he has registered such business with the Assistant Minister, who shall perform his duties under this chapter subject to the direction and control of the Minister of Commerce and industry. Any person violating the provisions of this section shall be subject to a fine not less than \$10.00 and not more than \$1,000.00 or imprisonment not less than one month or more than one year or both”. Section 32 of the PPC Act, 2005 also

required that companies contracted for Government projects are duly registered and have tax identifications. Contravention of the PPC Act, 2005 is punishable under Section 138 (1) of the PPC Act, 2005.

481. Additionally, a critical control in a procurement system is that the procuring entity ensures that procurement contracts are awarded to duly registered business enterprises in good standing with the Ministry of Finance in respect of tax payment.
482. However, it was noted from review of procurements made by the Company that in awarding contracts to Finders, Inc., Management did not consider these requirements. It is evident that at the time NOCAL was dealing with Finders, Inc, the company was not duly registered and qualified under the Laws of Liberia to do business with, and as such, it was improper for NOCAL to deal with the said company. Finders, Inc was awarded purchase contracts to supply NOCAL with US\$29,329.00 worth of items including furniture, panel door, split units, painting services, installation of split units, and office designing, furnishing and carpeting.

Risk

483. Dealing with un-registered entities undermines the existing laws of Liberia. Some of these laws are meant to facilitate revenue generation and therefore the Company's non-compliance with the law on business registration would not help achieve this objective.

Recommendation

484. NOCAL should always check the background of entities it deals with, so that the situation observed will not reoccur.
485. Public Procurement and Concession Commission (PPCC) should prepare an annual list of qualified and reputable vendors that line ministries, agencies and departments can deal with, to encourage compliance with extant laws.

Management's Response

486. *"This contract was entered into prior to our taking over. All we did was paid our liabilities. But henceforth, as required by the audit, we will investigate all businesses we transact with to ensure that they are duly registered and paying tax to the Government of Liberia".*

Financial Matters

Irregularities Noted In Revenue Collection

Observation

487. For the two fiscal years 2006/7 and 2007/8, NOCAL reported in its respective Income Statements total revenues of US\$742,339.92 and US\$ 2,627,081.23. **Exhibit 6** The fiscal years Income Statements indicated various sources of revenues, as detailed in table 10 below:

Table 10 : Various Sources of Revenue as Reflected in Income Statements

Description	FY 2007/2008	FY 2006/2007
Revenue Sources	Amount US\$	Amount US\$
Hydro Carbon Development Fund	1,250,000.00	250,000.00
Social Welfare	450,000.00	-
Surface Rental	292,850.00	-
UL Payment	225,000.00	-
Annual Training	200,000.00	-
Capitalization GOL Subsidy	161,247.34	154,705.21
Interest Revenue-Time Deposit	34,188.89	-
Miscellaneous(other revenue)	11,345.00	8,568.51
Future Revenue Sharing Scheme-TGS NOPEC	-	150,000.00
Transfer Revenue Recovered	2,450.00	95,000.00
LPRC Loan Proceeds	-	50,000.00
Sensitization Revenue-Oil Companies	-	15,000.00
Upgrading Airline Tickets-TGS NOPEC	-	9,666.20
Reception Presentation	-	9,400.00
Total	2,627,081.23	742,339.92

488. My analysis of the three bank accounts maintained by NOCAL at Ecobank for 2006/2007 fiscal year indicated that NOCAL had total collection of US\$ 1,059,185.61 as opposed to the US\$742,339.92 reported in the 2006/7 Income Statement, thus reflecting a variance of US\$ 316,845.69. Similarly, my analysis of revenues for 2007/8 fiscal year revealed total revenue of US\$3,200,438.30; NOCAL however reported US\$ 2,627,081.23 for 2007/8, again resulting in a variance of **US\$573,357.07**. The revenue performance for the two fiscal years vis-a-vis my findings made are depicted in the table 11 below:

Table 11: Revenue Performance Versus Audit Findings

Fiscal Year	Amount reported per Income Statement US\$	Amount verified per Bank Statements US\$	Variance US\$
2006/2007	742,339.92	1,059,185.61	316,845.69
2007/2008	2,627,081.23	3,200,438.30	573,357.07
Total	3,369,421.15	4,259,623.91	890,202.76

489. The US\$ **4,259,623.91** amounts verified per Bank Statements were summarized from three Bank Accounts operated by NOCAL for the two fiscal periods as detailed in the below **Table 12, also Annexure 5**

Table 12: NOCAL's Accounts Maintained At Ecobank

Accounts maintained at Ecobank					
Fiscal year	Operation US\$	Hydro Carbon US\$	Special L\$	L\$ Equivalent in US\$	Total US\$
2006/2007	797,340.45	246,250.00	904,519.46 @L\$58	15,595.16	1,059,185.61
2007/2008	1,140,522.20	2,031,634.41	1,696,901.28	28,281.69	3,200,438.30

Accounts maintained at Ecobank					
Fiscal year	Operation US\$	Hydro Carbon US\$	Special L\$	L\$ Equivalent in US\$	Total US\$
			@L\$60		
Total	1,937,862.65	2,277,884.41		43,876.85	4,259,623.91

490. The failure of NOCAL Management to effect monthly bank reconciliation on the three Bank Accounts resulted in several unexplained understatement of cash received by the Company during the two fiscal periods as summarized below:

Operational USD

491. Transfer from TGS NOPEC dated 12/11/2007 ref#FT0734500087 in an amount of US\$21,666.10 was not recorded in the Cash Listing provided for the audit, but was lodged at bank.
492. Transfer from A2D Technologies dated 6/30/2008 ref#FT0818202584 in an amount of US\$5,250.00 on bank Statement was also not recorded in the Cash Listing and was also not supported by Credit advice from the Bank, despite it appearing on the Bank Statement provided by NOCAL Management.
493. Sources of Income in amounts totalling US\$20,518.00 for the fiscal year 2006/2007 and US\$10,604.00 for the fiscal year 2007/2008 from the operating account remained unknown as detailed **Annexure 6A**.

Hydro Carbon Account

494. It was observed that two transfers from the Hydro Carbon Funds in amounts totaling US\$214,000.00 dated in May 2008 was transferred to NOCAL's Operating Account instead of the Hydro Carbon Account as summarized in **Annexure 6B**.
495. Transfer dated 24 July 2007 in an amount of US\$2,000.00 as reflected on the Bank Statement was also not recorded in the cash listing.
496. An amount of US\$586,000.00 reported in the Cash Listing as transfer to Time Deposit was not effected on the Bank Statement.
497. The US\$250,000.00 reported on the Comparative Income Statement for Fiscal year 2006/2007 was credited on 6 September 2006 in the Hydro Carbon account in the amount of US\$246,250.00, thereby creating an unexplained variance of US\$3,750.00 between the bank and the company book balance. **Annexure 5**
498. The series of credits made into the Hydro Carbon Account during 2007/2008 Fiscal Year amounted to US\$2,031,634.41 which was reported as US\$1,250,000.00 in the Comparative

Income Statement prepared for 2007/2008 Fiscal Year. This resulted in an unexplained difference of US\$781,634.41 as detailed in **Annexure 6B**.

Special Account

499. Sources of Income reported in the Bank Statement in amounts totalling LD\$364,669.54 from the Special Account for the fiscal year 2006/2007 was also not disclosed by NOCAL Management as detailed in **Annexure 6C**.

Revenue Overstated in the Financial Statements

500. Additionally, examination of receipts and credit advices provided for the 2006/7 Fiscal Year revealed instances of misstatements of revenue figures which I noted in the financial statements from verification of receipts and deposit slips. The receipts and deposit slips records of the company showed US\$154,281.64 as GOL subsidy to the Company while US\$154,705.21 was reported in the Income Statement as GOL subsidy to the Company resulting into revenue variance of US\$423.57, the overstatement for which management failed to provide justification.
501. Also Miscellaneous Revenue totalling US\$5,408.54 per source documents was reported at US\$8,568.51 in the final accounts of the Company, thus over-stating miscellaneous revenue by US\$3,159.97 in the Income Statement. Another revenue account, Future Revenue Sharing Scheme –TGS NOPEC was reported in the Financial Statement at US\$150,000.00, while the source documents verified during the audit indicated the amount of US\$99,970.00, again showing revenue variance of US\$50,030.00.

Unaccounted for revenue: US\$12,324.87

502. Additionally, I sought assurance that all income/revenues were collected and properly accounted for and disclosed in the financial statements. I noted from review of the Company's revenue records for the periods under review that management could not account for US\$12,324.87 of its revenue generated from operations. Details of discrepancies associated with these revenue reported are noted below:

- GOL subsidy covered by bank deposit slips verified during the audit amounted to US\$168,572.21; however, subsidy was reported at US\$161,247.34 by the company in its financial statement, thus indicating an unexplained difference of US\$ 7,324.87.
- Additionally, US\$5,000.00 collected from Broadway Consolidated PLC on 10 July 2007 as reception presentation fees were not reported in the final accounts of the Company.

Risk

503. Inconsistencies in records of revenue collection as exemplified by revenues reported in the Income Statements for the fiscal years 2006/7 and 2007/8 being different from revenues attained as derived from bank statements and other source documents are indication that there were material misstatements in NOCAL revenue reporting. Similarly, anomalies noted with transfers among the Company's Operational, Hydro Carbon and Special Bank Accounts and other dealings affecting the bank accounts all deny assurances that NOCAL revenue

reporting is reliable, and that is not financially healthy as the control deviations could be exploited to the detriment of the Company.

Recommendation

504. NOCAL's Management should set up a taskforce to investigate each and every anomaly reported above, document every discrepancy arising from the investigation, pursuing the noted discrepancies to a logical conclusion. The outcomes from the investigation should be used to update related accounts. The outcomes from the investigation should be conveyed to the Auditor-General, including the investigation and documentation.
505. To minimize the omissions observed, remittances received from GOL and other sources should be reported gross in cash book as appropriate, recognising any related bank charges as expenditures.
506. Furthermore, to forestall the omissions observed, the Comptroller should ensure that all revenue accounts are reconciled monthly; the Comptroller should review all such revenue accounts reconciliation statements, whilst the Vice President for Finance, sign off.

Management's Response

507. *The variance of US\$423.57 underscored in the AOM was the result of the fluctuation in the exchange rate between the Liberian Dollars Subsidy received from the Shareholder that was converted to United States Dollars and reflected in the report in support of one unit monetary measurement of our financial statements. During the fiscal year 2006/2007, the exchange rate was at that level and used by MOF in the calculation of our subsidy. The lone Shareholder then provided subsidy totalling in Liberian Dollars L\$896,859.46 and United States Dollars US\$139,417.32. The prevailing exchange rate of L\$58.66 to US\$1.00 was used to convert the Liberian Dollars portion of our subsidy. This then provided the equivalent value of United States Dollars US\$15,287.89 which was added to our United States Dollars subsidy thereby resulting in the amount of US\$154,705.21 and reported in the financial statements. Adjustments will be made if a suitable agreed foreign exchange transaction rate of conversion rate of other than what was earlier used is finalized during the audit period.*
508. *The variance in the Miscellaneous Revenue as reported in the AOM was a little higher than what it should have been as a result of excluding data that did not affect fiscal year transactions for the audit period. The miscellaneous contribution of US\$2,450.00 from TGS-NOPEC Ref: #542772 ICPO 21908 received on February 26, 2008 was transferred to the fiscal year 2006 / 2007. This was the only adjustment that may be required after your perusal of the attached listing.*
509. *The difference of US\$7,324.87 disclosed in the AOM was attributed to exchange rate between the United States Dollars and the Liberian dollars subsidy received from the GOL for fiscal year 2006/2007. Initially, our financial statements were prepared on the calendar year instead of the fiscal year as was requested by the auditors. The last subsidy due from GOL for the fiscal year 2006/2007 was received on July 6, 2007 and fell in the next fiscal year. The amount are US\$10,474.00 and L\$179,839.00. The converting of the Liberian Dollars against the exchange*

rate yielded the equivalent of US\$3,100.67. When netted out against each other (US\$10,474.00) you will arrive at the reported difference of US\$7, 373.33. Other exchange factor between the Central Bank and the Ministry of Finance during the fiscal periods are also due to the difference. (See attached)".

510. The revenue variance indicated in Table 3 represents transfer from NOCAL's Operating Account to a new account titled "NOCAL Hydrocarbon Development Fund". This is the same amount (net of transfer charges) recorded as receipts from a Contractor (Oranto Petroleum Ltd.). The transfer of US\$ 250,000.00 less transfer charges of US\$ 3,750.00 was reported twice in both Table 3 and 3A. As a result, the US\$ 230,821.00 reported as unaccounted for in fiscal year 2006/2007 derived from this double reporting of the same amount.
511. Moreover, the total revenue reported in Table 3 is inaccurate. The correct amount should be US\$ 724,457.06 instead of USD 711,316.06 as reported.
512. Similarly, in Annexure 5 and 6A, the amount of US\$ 50,000.000 and US\$164,000.00 were transfers from the Time Deposit Fund into the Operating Account and not additional revenue generated for the fiscal years 2007/2008 as reported in the Management Letter. In addition to this, check #608178 amounting to USD 299,965.00 less transfer charges was transferred from the Operating Account to the Hydrocarbon Development Fund. Therefore, the USD 549,502.33 reported in Table 3 for the fiscal year 2007/2008 as unaccounted for is the result of double counting these transfers as additional revenue to the Company.
513. We agree with this finding. The amount of US\$ 214,000.00 in the Hydrocarbon Fund Account was transferred into the Operating Account as was noted in Annexure 5 and again repeated in Annexure 6A. This amount was placed on time deposit in the Operating Account because Hydrocarbon Funds are not generally used for operational purposes.
514. Prior period adjustments in the amount from TGS-NOPEC had been noted and corrected in our post audit Income Statement and Cash Flows Statement for the reporting period.
515. NOCAL's receipt of funds on a one time, basis are infrequent to its operations and as such these funds are not recognized as an income line. Such sources include petty donations at workshops, refund by staff, fines etc.
516. The Table below indicates the sources of income noted in the Annexure 6:

Check #	Amount (USD)	Description	Source
467906	900.00	Excess baggage refund	Board Chairman
34957	21.00	Miscellaneous fine	Sr. Accountant
149553	150.00	Transportation refund	Co. Superintendants
FT 0706401108	1,397.00	Air tickets	Board Chairman

		<i>refund</i>	
<i>FT 0706500702</i>	<i>5,000.00</i>	<i>Contribution</i>	<i>Donors at Workshop</i>
<i>FT 070800782</i>	<i>100.54</i>	<i>Refund of travel advance</i>	<i>VP/Administration</i>
<i>FT 0712700994</i>	<i>1,800.00</i>	<i>Contribution</i>	<i>Donors at workshop</i>

517. However, if the Audit Team had reviewed events subsequent to the audit, they would have noted that these revenues are now grouped and refer to as "other income" in our Income Statement.

Auditor General's Position

518. Though management provided justification in regard to the GOL subsidy, however this did not cure the irregularity observed, because management used unapproved exchange rate to convert the Liberian dollars to the United State Dollars on the day of the transaction instead of the CBL approved exchange rate as required by the Revenue Code of Liberia.
519. The Management also failed to follow International Accounting Standard (IAS) 21 (revised) which requires that for non-group entities, transaction denominated in foreign exchange (in this case the Liberian Dollar (L\$) since it is the currency being exchange) should be reported using the spot rate ruling when the transaction(s) took place. The related exchange differences are then determined and reported in the accounting records (exchange difference account). The incorporation of the exchange differences is meant to bring the foreign exchange denominated transactions as close as possible to their respective values, which they would have read if their spot rates are known and used at the time they are being reported.
520. The Management should therefore adjust the reported figures given rise to the variances, failing which I would modify my report on the financial statements as appropriate. I further require that the management ensures that it forwards all its records on revenues in the financial statement, including payments such as those from Broadway.
521. Instead of Management responding to the substantive issue, Management made this assertion *"Moreover, the total revenue reported in Table 3 is inaccurate. The correct amount should be US\$ 724,457.06 instead of USD 711,316.06 as reported."*
522. I take note of Management assertion and made the necessary adjustments in "Table 3" now Table 12, but the adjustments made is not in the best interest of Management, as Management failed to cure the deficiencies noted. The noted deficiencies are about variances between the Income Statements and the Bank Statements.
523. The Management provided another explanation that indicates that it does not understand rudimentary revenue recognition rules. Management asserted:

NOCAL's receipt of funds on a one time, basis is infrequent to its operations and as such these funds are not recognized as an income line. Such sources include petty donations at workshops, refund by staff, fines etc.

524. Management has admitted that these items were not recognized as income line during the period under audit, because they were considered by management as "petty donation at workshops, refund by staff, fine etc." Incomes are not measured base on its sources rather recognize when earned. The decision of the management to partially recognize corporate income was not backed by any policy adopted by the Board of Directors or any recognized accounting principles. Gross income is not limited to regular cash received by the company. It includes income realized in any form, whether in money, property, or services.
525. The Management therefore made assertion that funds received infrequently are not recognized as revenue is an indication of lack of understanding of accounting principles on revenue recognized. Management attempted to rely on accounting principle regarding the treatment of extraordinary items. Extraordinary items are adjustment to shareholders account and are not reported on the face of the item income. But for an item to be extraordinary, it must meet the twin test of being infrequent and unusual occurrence of the item. Management cannot defend that on time payment while infrequent is unusual. Essentially, management attempted to rely on accounting treatment that it does not fully understand how it is applied.
526. It was agreed in the entrance conference with management and affirmed in the transmittal letter that accompanied the draft Management Letter that it is the responsibility of Management to provide all supporting document for audit verification and certification by the Auditor General. The Management failed to present to the GAC supporting evidence to collaborate its assertions.
527. But management would want me to consider its subsequent income statement as a basis for my opinion for the period under audit. Auditing and accounting practices required management to make the appropriate adjustments to the financial statements being audited and present same to the Auditor General. For instance, as at the time of submission of management's response to the Draft Management Letter, management did not present to me financial statements for the periods 2006/2007 and 2007/2008 showing the adjustments that I have recommended. Mere assertions by management that these changes have been made is not sufficient appropriate evidence and no number of reviews of subsequent events could satisfy me that the adjustments have been made without proof.

Irregular Transfer: US\$ 5,040.00

Observation

528. Effective control of resources demands that all financial transactions relating to payments and transfers be backed by budgetary allocation or other requisite authority.

529. As part of the audit, I reviewed disbursement vouchers and other relevant documentation on payments and transfers. My objective was to determine the appropriateness and authenticity of these payments and transfers.
530. My review indicated that US\$5,000.00 was transferred to Dr. Eric Neufville, Senior Geologist, on 21 December 2007 with a transfer charge of US\$40.00 while in the United States. A communication dated 27 December 2007 sent to Dr. Neufville by NOCAL's Comptroller, Fulton Reeves, confirmed the transfer as "assistance for relocation". Though, there was no framework put in place by the Management of NOCAL to determine the nature of assistance that could be granted under its Management Assistance Plan as well as thresholds that disbursements on the Programme may be limited to, management paid out of NOCAL accounts such a quantum of money. Besides, the irregularity noted above, there was no related documentation accounting for the disbursement.

Risk

531. The granting of assistance to personnel of the Company, not on the basis of well-documented framework approved by NOCAL's Board, could provide unfettered opportunities for abuse of the Company's funds. The Management Assistance for relocation Programme may be well-intentioned, but without a sound framework, it is not worth pursuing.
532. Moreover, high risk of financial irregularities exists in expenditures that are not adequately supported with relevant documentation.

Recommendation

533. The President/CEO should halt the Management Assistance Programme, pending the compilation and approval by NOCAL's Board, of a well-documented framework to govern every aspects of the Assistance for Relocation. The framework should take into consideration, the current financial health of the Company.
534. The President/CEO should furnish GAC with expenditure records on management assistance granted to Dr. Neufville for me to substantiate, failing which, funds should be refunded to the Company's account.
535. The President/CEO should ensure that financial managers strictly observe its internal procedures instituted to control expenditure.

Management's Response

536. *The employment of a Senior Petroleum Geologist was based on the approval as outlined in the NOCAL budget for fiscal year 2007/2008. The only suitable candidate, Dr. Eric Neufville, was in the United States of America at the time. Due to the urgency of work, the Board resolved to hire Dr. Neufville and assist him in relocation. The Board instructed management to assist Dr. Neufville in relocating to Liberia at short notice. In light of a provision for contingency in the approved budget for the fiscal year, the US\$5,000.00 was thereto applied. In effect, the payment was sanctioned by the budget and the Board.*

537. *There was no perceived risk of high, unauthorized and unbudgeted expenditure, as this outflow was in fact in line with the budget and the Board's mandate. There was no likelihood of expenditure authorized at management's discretion being too high since the contingency provision earmarked in the budget has a limit.*

538. *Management will strictly observe the voucher process internally instituted to control expenditure.*

Auditor General's Position

539. Management failed to produce a policy on staff assistance for relocation to determine the basis on which the assistance given NOCAL staff was granted and whether the related expenditures are justified; as a result, the recommendations still stand.

Irregularities noted with NOCAL's Personnel Management

Observation

540. Review of NOCAL payroll and other related documents revealed that management did not comply with some statutory requirements. A number of anomalies and instances of this non-compliance are explained in subsequent sections of this report.

541. My examination of disbursement vouchers and comparative analysis of NOCAL's budget and financial statements for the periods under review, revealed situations where reported payroll expenses were not supported by records substantiating the payments. Furthermore, NOCAL's budget performance report on the payroll for the period under review did not coincide with its final accounts. Analysis of these variances are presented in the table below:

Table 13: Variance in NOCAL's Budget Performance Vs. NOCAL's Final Account

FY	Budget Performance Report	Financial Statements	Variance	Financial Statements	Payroll as per Audit	Variance
2006/07	226,050.00	215,587.75	18,462.25	215,587.75	238,309.00	(22,721.25)
2007/08	211,910.00	189,039.00	22,871.00	189,039.00	258,272.00	(69,233.00)

542. Additionally, I noted that US\$38,610.00 and US\$42,350.00 paid as allowances to employees in 2006/2007 and 2007/2008 respectively, were not reflected in the financial statements, despite having a budget line. The table below shows an analysis of paid allowances and budget report:

Table 14: Analysis of Paid Allowances and Budget Report

Fiscal Year	Budget performance Report (US\$)	Paid allowances as per Audit (US\$)	Variance (US\$)
2006/2007	52,690.00	38,610.00	14,080.00
2007/2008	33,270.00	42,350.00	(9,080.00)

543. Furthermore, withholding income taxes and employees social security contributions both of which are deducted at source from the workers' salaries are required to be remitted to the Ministry of Finance (MoF) and the National Social Security and Welfare Corporation (NASSCORP) respectively. The social security contributions paid to NASSCORP on behalf of the employees represent their benefits at the time of separation from public service.
544. Section 905 (a) of the Revenue Code of Liberia Act of 2000 states that resident persons who make payments to resident natural persons pursuant to a contract of employment are required to withhold income tax on payments to employees according to the schedule established in Section 200 of the same Revenue Code. Amounts withheld are to be paid over to Government of Liberia through the Ministry of Finance on a monthly basis, with payments due within 10 days of the last day of each month, failing which sanctions as spelt out under Section 52 (b) of the Revenue Code shall be exacted.
545. Contrary to the above provisions, my examination revealed that social security contributions amounting to US\$1,365.35 withheld from July 2006 –January 2007 for the period of 7 to 18 months were not remitted to NASSCORP, but were later refunded to the affected employees. The non-payment of social security contributions would deny the employees their benefits from NASSCORP when they are separated from public service
546. Similarly, income tax deducted from employees between July 2006-June 2007 and July 2007-June 2008 was not remitted to the Ministry of Finance promptly as required by the Revenue code, and sometimes it took more than 10 months to discharge payment to the MOF. Unpaid Income Tax as at the time of reporting totalled US\$4,313.30 covering the period of July 2006 to June 2008 was still outstanding. When the senior accountant was contacted, his response was "the company just never had the money at the time to pay", but I countered that the taxes were deducted from employees' salaries. The table below shows NOCAL payment schedule for late remittance of income taxes:

Table 15: NOCAL payment schedule for late remittance of income taxes

Income Tax withholding payment schedule				
Months	Amount (US\$)	Total Paid	Date of Payment	Check No.
July , 2006	5,533.70			
August, 2006	5,478.95	11,017.65	Sept 7 2006	445806
September,06	5,747.19			
October, 2006	6,157.65			
November, 06	6,157.65	18,067.49	31-Jul-06	486271
December, 06	6,157.65			
January, 2007	6,157.60			
February, 2007	5,504.23	17,824.53	14-Jan-08	00673985
Total		46,909.67		

Inequity in Salary Payment and Job performance

547. Also analysis of payroll and other related records from 1 July 2006 to 30 June 2008 revealed disparity in the salary of the Human Resource Manager and the General Services Manager,

though both employees serve as managers in their respective departments/sections and on the same level in terms of qualification.

548. It was also observed that Timothy Wiaplah who had the job title of a Senior Accountant was still performing duties of a junior accountant and account clerk. As a result, the risk of error associated with preparation of the Company's final accounts was high.

549. In my view, the difference in salary is unjustified and could be attributed to the lack of approved Category and Salary Structure for personnel of NOCAL. As at 30 June 2009, the table below highlights the Company's top ten (10) earners:

Table 16: Top Ten Paid Staff of NOCAL

Name	Position	Regular US\$	Housing US\$	Trans. US\$	Entertain. US\$	Total US\$
Dr. Fodee Kromah	President/CEO	5,000.00	500.00	00.00	500.00	6,000.00
Marie E. L- Parker	V.P-Finance	4,500.00	450.00	00.00	250.00	5,200.00
Jacob S. Sandikie	V.P-Technical Service	4,000.00	400.00	00.00	200.00	4,600.00
Ophelia H- Saytumah	V.P-Admin.	4,000.00	400.00	00.00	200.00	4,600.00
Fulton D. Reeves	Comptroller	2,500.00	250.00	00.00	00.00	2,750.00
Christiana Harmon	H.R Manager	1,500.00	150.00	00.00	00.00	1,650.00
Henry M. Gray	G.S Manager	1,500.00	150.00	00.00	00.00	1,650.00
Jonathan Sogbie	Publ. Relations	1,500.00	150.00	00.00	00.00	1,650.00
Veta D-Umoja	Executive Sec.	825.00	125.00	37.50	00.00	987.50
Timothy Wiaplah	Chief Acct.	670.00	125.00	37.50	00.00	832.50
Total						29,920.00

Unreported Personnel Cost US\$173,944.25

550. My analysis on the payrolls provided to me relating to personnel cost for the two Fiscal Years revealed that the company expended US\$578,571 as opposed to US\$ 404,626.75 reported in the Comparative Income Statements, resulting to an unexplained difference of US\$173,944.25 as reflected in the table below:

Table 17: Unreported Personnel Cost

Fiscal year	Budgeted Amount US\$	Reported Amount per the Statements US\$	Verified Amount per Payrolls US\$	Variance US\$
2006/2007	356,400	189,039	(275,899)	(86,860)
2007/2008	356,400	215,587.75	(302,672)	(87,084.25)
TOTAL	712,800	404,626.75	(578,571)	(173,944.25)

551. The annual appropriations presented to me for personnel cost in the budgets prepared for the two Fiscal Periods showed an appropriation of US\$356,400.00 and US\$356,400.00 for 2006/2007 and 2007/2008 respectively. The total appropriation for the two Fiscal periods amounted to US\$ 404,626.75 while the reported personnel cost in the payrolls amounted to US\$ 578,571, resulted to US\$ 173,944.25 as a variance shown in the above Table.

Payment made to dismissed personnel US \$735.00

552. During the board meeting in June 2006, the Board of Directors of NOCAL resolved that the services of five of its employees be terminated as of 1 July 2006. The five employees were serving as Securities for the Company since 2004. The board decided that security services of the Company be turned over to a private security firm. In contravention of this resolution the management of the Company included the names of the affected staff on the payroll of July 2006 as detailed in the below Table:

Table 18: Names of Dismissed Staff Placed on Payroll

Code	Name	Date of Employment	Date Terminated	Monthly Salary	Amount in USD
13	JOHN VOKPO	Jan. 1, 2004	July 1, 2006	180.00	180.00
16	MASSA ARKOIL	May 1, 2005	July 1, 2006	165.00	165.00
17	JONATHAN REEVES	May 1, 2005	July 1, 2006	130.00	130.00
18	RICHARD GLAYDOR	May 1, 2005	July 1, 2006	130.00	130.00
19	TARPLAH HENRY	May 1, 2005	July 1, 2006	130.00	130.00
Total					\$735

553. The Finance Section of the Company did not provide any material justification why these former employees' names were placed on the July 2006 payroll of the company.

Omitted Name from the personnel listing US\$ 3,816.00

554. I requested from the management of NOCAL to submit to me the full personnel listing of the company to compare with the payroll for adequate disclosure of personnel cost for the periods under audit. The Management submitted nineteen (19) employees names instead of twenty employees, which excluded the name of the Generator Operator.

555. On account of this omission, the payroll cost for the period under review was under-stated by US\$ 3,816.00.

556. It is inconceivable that the Name of Emmanuel Doe, the generator operator who was employed since September 2004 and currently in the employ of the National Oil Company could be omitted from personnel listing submitted to me by the management, if the listing was maintained by the company and not only prepared for audit purposes. This implied that the company did not maintain reliable personnel listing for the periods under audit.

Risk

557. Non-payment of Social Security deductions would result in employees of NOCAL not deriving required benefits when they retired.

- 558. Non-payment of Withholding Taxes timely would deny GOL revenues and cause NOCAL to pay unnecessary penalty for late payment.
- 559. Payment made without a budgetary provision could lead to misapplication of resources for other activities.
- 560. Differences noted between budget performance reports, financial statements and payroll calculations were indicative of unreliability of NOCAL's financial reporting system.
- 561. Lack of coordination between NOCAL's Personnel Division and the Finance Office could lead to payroll abuses.

Recommendation

- 562. The Vice President of Finance should immediately pay the withholding taxes it defaulted on to the Ministry of Finance along with the necessary penalty for late payment and refrain from late payment of withholding tax henceforth.
- 563. The Vice President of Finance should also immediately pay the Social Security deduction it defaulted on to NASSCORP and refrain from late payment of Social Security henceforth.
- 564. The Vice President of Finance should undertake immediate exercise to reconcile its financial statements and its underlying records, and investigate all variances arising thereafter.
- 565. The Vice President of Finance should ensure that all officers handling personnel, payroll and other related assignments maintain adequate and up to date records.
- 566. The Vice President for Finance and the Comptroller should account for the amount of US\$735 paid in July 2006 for five employees whose employment status was terminated by the Board of Directors of the Company in June 2006.
- 567. The Vice President of Administration should periodically update personnel listing and ensure that all bona-fide employees, including Emmanuel Doe, are on the listing for the respective years.

Management's Response

- 568. *The budgets provision for the settlement of salary arrears due former employees was done under debt servicing account in fiscal year 2006/2007 along with other domestic debt owed by previous administration and submitted same to GOL through the Ministry of Finance for settlement. On September 18, 2007, the Ministry of Finance wrote NOCAL informing it that liquidation was to take place at the end of the third quarter of fiscal year 2007/2008.*
- 569. *Based upon this assurance and guarantee from our Lone Share Holder, our creditors were then told that full payment was to be made at the end of December 2008. Since indeed assurance was provided, second budget provision for the same line item could not be made for in fiscal year 2007/2008 but instead to honor our obligation pending a remittance from the Share Holder upon the instruction of the Board of Directors.*

570. *The payroll includes the basic salary and allowances i.e. (housing, transportation, and entertainment). The net payroll amount for which cash was paid is reported in the cash flow statements. The income tax liability that has not yet been paid is reported in the Balance Sheet under the Liabilities Section. The gross payroll amount which takes in consideration both the basic salary and allowances is reported in our budget performance report. Since payment of statutory withholding taxes due GOL at the end of the audit period June 30, 2008 have already been remitted to the Ministry of Finance on January 2, 2009, and monthly income taxes are also now been paid every month, adjustment will be made.*
571. *Also, the payroll cost of those employees that were serving as security guards was charge to our Hired Guard Services Account under our recurrent expenditure. The allowances which consist of housing, transportation and entertainment allowances were added to the payroll to reflect the actual earnings of our employees. The actual amount of cash paid for the net payroll that includes both the basic salary and the allowances is reported on the Cash Flow Statement.*
572. *The income tax liability portion deducted from the earnings and due GOL is reported in the Balance Sheet and the gross payroll figures is likewise reported in the budget performance report. Reconciliation and adjustment of the differences will be made since in fact we have the tax component that due at the end of fiscal year 2007/2008 as mentioned below.*
573. *As you may be informed of and prior to Dr. Eric Neufville's death, he indicated that he did not travelled with most of his document when he was been relocated back to Liberia to take up assignment to NOCAL and that HIS DOCUMENT WOULD HAVE ARRIVED LATER. For Marie E. Parker and Fulton D. Reeves, they have been requested to provide the necessary missing credentials when they contact their respective over sea universities.*
574. *The disparity between the Human Resource Manager and General Services Manager has been corrected in our supplementary budget which took effect April 1, 2009. However, it must be noted that the Human Resource Manager has longer tenure in the Company and long working experience.*
575. *Withholding taxes due GOL at the end of the audit period June 30, 2008, have already been fully remitted to Ministry of Finance on January 2, 2009, and monthly income taxes are also now been paid every month to the Ministry of Finance. The exercise to reconcile the budget with the financial statement has also now begun. As mentioned earlier, currently, NOCAL is paying its monthly income taxes to GOL. The current fiscal year budget includes all capital and operational expenditure needed to be incurred and made that will be disclosed as per account type in the financial statement".*

Auditor General's Position

576. I request Management to provide me the Board's resolution/approval on the payment of salary arrears that were not budgeted. None of management explanations cured the deficiencies noted.

Irregularities Noted with the Disbursement of Funds

Observation

Unsupported payments: US\$ 101, 512.52

577. The requirement to conform to regulatory framework demands that all public funds disbursed should be duly accounted for by ensuring that expenditure undertaken by Government Ministries and Agencies are adequately supported by valid and approved vouchers and corresponding supporting documents.
578. On the basis of the above, I reviewed disbursement vouchers (DV) and the related supporting documentation. However, it was discovered that US\$41,980.07 paid to General Revenue Account of the GOL representing customs charges that was not supported by relevant DVs and approved by the appropriate authorities.
579. Further analysis and review of NOCAL's budget and DVs for the two fiscal periods revealed a total of US\$54,172.45 which was expended without relevant DVs to support the expenditure. This amount constituted two budget items, bearing the titles "Others" & "Accrual expenses" recorded under Recurrent Supplies & Services in the Budget Performance Report for Fiscal Years 2006/2007 and 2007/2008. I did not obtain any voucher acknowledging code for each of the budget line items mentioned to enable me determine expenditure made under these line items.
580. In an attempt to provide clarification on the issue, the Senior Accountant, Timothy Wiaplah could only provide me with definition of the line items.
581. Additionally, a bank transfer of US\$5,360.00 through Barclays Bank PLC to INK Publishing, an international publishing company based in the United Kingdom for advertisement for the company was without payment voucher to support the disbursement. In the absence of supporting voucher, I could not determine the regularity of these transactions.

Unauthorized Expenditure: US\$ 32,964.79 & L\$ 3,870.00

582. As part of its internal control procedures, NOCAL prepares disbursement vouchers which require the approval of the Vice President for Administration/Finance and President/CEO respectively to legitimize the expenditure undertaken by the company. This is the standard procedure for authorizing expenditure in the Company.
583. It was observed, on the contrary, that payments totalling US\$32,034.79 & L\$2,470.00 were made without the approval of the President/CEO, Dr. Kromah. It was also noted that payments amounting to US\$930.00 & L\$ 1,400.00 were made without the signature of the Vice President for Administration and Finance, Marie E. Parker. These lapses implied that Management did not exercise controls over all disbursements made from the company's account.

Irregular Payments to Third Party: US\$ 16,578.19 and L\$ 15,315.00

584. Financial Rule # 23 of the Government of Liberia states that payments for 'Goods and Services' provided/rendered shall be made only to the vendor/service provider. This procedure implies, for instance that when a service provider/vendor deliver goods/services to a government entity and payment thereto is generated from the entity's account, the payment shall be made to the service provider or vendor who supplied the goods or services and not to a third party. Also, Rule # 48 of Government Financial Rule states that all payments on account of various allowances, travel advances and professional services rendered shall be paid to the individual /organization concerned.
585. Contrary to these provisions above, I noted from review of DVs for the periods under review that payments amounting to US\$16,578.19 & L\$15,315.00 were made to third parties for onward disbursement to intended beneficiaries. In almost all cases observed, payments in question were made to NOCAL's employees. However, I did not sight any evidence to show how the said amount was disbursed to the intended beneficiaries. Details of the irregular payments to the third parties are provided in **Annexure 17**.

Inter-Ministerial Committee

586. Further review of NOCAL Income Statement for 2007/2008 indicated that NOCAL reported a total amount of US\$33,500.00 for Inter Ministerial Committee, whilst PVs and related documents verified instead indicated an amount of US\$29,500.00 expended on the Committee, thus leaving an unexplained and unsupported expenditure of US\$4,000.00. This meant that management could not provide supporting vouchers and documentation to account for US\$4,000.00 reported in the company's final accounts. With the deviation observed, I could not assure that the Inter- Ministerial Committee expenditure reported in the Income Statement was valid and complete, and the amount in question was expended in the interest of the Company.

Risk

587. In the absence of DVs to support expenditure, the validity or authenticity of transactions undertaken could not be vouched and no assurance would be derived that the funds were applied to the intended purposes.
588. Management's failure to support its expenditures reported in the year-end financial statements could deny assurance that NOCAL financial statements were true and fair.

Recommendation

589. The Vice President for Administration and Finance should establish strict Control procedures regarding the signing and approving of DVs within the Company.
590. The Vice President for Administration and Finance should also ensure that the practice of making payment to third parties is stemmed as it is prohibited by the Government's established Financial Rules.
591. Additionally, the recipients of the total amount of US\$16,578.19 & L\$15,315.00, who did not provide evidence regarding how the funds were disbursed to the intended beneficiaries, should

be made to reconstitute the amounts as they did not account for the funds during the course of the audit.

592. The Vice President for Finance, Marie E. Parker and Comptroller Fulton Reeves did not provide substantive documentation to account for US\$54,172.45 that was not supported by documentation and therefore should be made to reconstitute, in the absence of full documentation to account for the funds.

Management's Response

593. *The appropriate relevant authorities approved the bank forms required to obtain a manager's check in favour of the General revenue Account of the GOL for custom charges. NOCAL's copy of the bank manager's check form served as our corresponding supporting document for the transaction through the DV was not prepared. But as was indicated and recommended to us during the audit process, NOCAL now prepared both the disbursement voucher and the bank forms duly signed by GOL.*
594. *NOCAL is not provided with duty free services and as such, these payments were for custom charges on vehicle ordered for after a competitive bidding process and won by Cape Logistics & equipment Inc. With the observation of the GAC audit signed in process, disbursement vouchers relating to manager's check are now being prepared and duly signed by authorities including the bank forms as well before payment to the General Revenue Account is made.*
595. *The US\$5,360.00 for INK Publishing was for a due diligence AD on the ratified oil blocks and payment was wired through the bank. The bank telex transfer form was duly signed by the authorities and NOCAL's copy served as the corresponding supporting document along with the invoice from INK Publishing. Again, as observed and recommended during the audit process, NOCAL now follows the practice of first preparing the disbursement vouchers for all direct wired of improving our internal control procedures as indicated by the GAC audit. These internal control procedures were put in place prior to the recommencement of the GAC audit. With these observations and recommendation, we have improved our procedures as stated earlier.*
596. *The internal control mechanism procedures for fund to be paid required two of the three signatories to the account. These signatories are the President/CEO, Vice President for Administration/finance and the Vice President for Technical Services. In the absence of any one person, the other person's signature is required before payment is made.*
597. *The signature made as indicated on our accounts document required two of the three signatories and does not limit the signing of disbursement vouchers to only the President/CEO and the vice President for Administration/Finance. If you were to verify the checks indicated in the AOM, you would have seen either two of the three signatures on each checks indicated in this authorities signatures should have appeared on the disbursement vouchers under reviewed. The bank does not honour only one signature on our checks written but, always two signatures.*

598. *The irregular payment-third party referred to in the AOM are mostly reimbursement especial those for courier services, vehicle maintenance, vehicle repairs, and excess baggage. During the Private Sector forum organized in the United States, the registration of delegates was done on credit cards. The Chairman of the Board of Directors used his credit cards which ensured our delegates registration for the forum. After the meeting, reimbursement was made to him.*
599. *Courier Services to facilitate the document needed for our presentation was through DHL and the Vice President for Administration/Finance was reimbursed for personal money spent. Vehicle maintenance and repair works were also reimbursed to those staff that personally spent their own money when there was a breakdown of their assigned vehicle due to the deplorable and bad road condition in the country then and likewise the illiquid state of the company then.*
600. *A newspaper vendor was hired to supply NOCAL all of the different newspapers. Eco-Bank required that he either presents a driver license or a passport before encashment of his check neither of which he had. As a result and to ensure that he supplied us every day, the receptionist then who had a bonafide NOCAL I.D. card was designated to ensure that we get our regular supply and thereafter pay him for his services.*
601. *The rest of the other vendors were not willing to open a credit line for us, due to the general investment climate in the country. The economy had not picked up and most suppliers were opting for sale of their goods and services in cash. Given this uncertainty, internal control procedures were adopted and receipts were obtained for the services provided.*
602. *The budget performance report was structured and classified to mainly account for the summary of the accounts in the financial statement to suit our reporting purpose and better understanding in line with Board of Directors. The difference in the financial statement accounts and the budget performance summary accounts were listed as others.*
603. *The amount reported under this title included more than one expense account. Again, as was noted and recommended while the audit was in process, the budget performance report now is structured in line with the approved budget on line items basis. Others as reported on budget performance report included figures charged to annual incentives, account payable, car rental and income tax expenses.*
604. *Initially, these accounts not provided for under our budget because we anticipated that the GOL would have settled its outstanding domestic debt to NOCAL, but as the fiscal periods unfolded, these obligations had to be made and were then put under the performance title others."*
605. *Paragraph #426-428: We now have functioning and effective storeroom procedures. Thus, all our procurement and delivery of goods are accompanied by Purchase Order, Delivery Report and Receiving Note. Due to the Audit Team's failure to review events subsequent to the periods under audit, this issue is again reported incorrectly in the Management Letter.*

Auditor General's Position

606. Management's response is duly noted. However, it should ensure that the recommendations are implemented to enhance the efficiency and accountability in the management of public funds.
607. The reference paragraph #426-428 in the report are management's own admittance to audit findings where management stated that some storeroom items were inadvertently not posted and management was taking note to remedy the problem. Again, I maintain my recommendation, as management is indicating that I was under obligation to review subsequent events that was not brought to my attention with supporting evidence.
608. But in order for management's contention to stand with respect to subsequent events, management needed to show the corrections it has made on transactions in the period under audit that make the financial statements and accompanying notes and disclosure fairly stated. Once again, merely indicating a review of subsequent events is not sufficient appropriate evidence to cure significant deficiencies and material weaknesses reported as of date.

Post Audit Issues-TGS-NOPEC Payment

609. I am however contented to note that TGS-NOPEC had, in connection with the audit, remitted US\$1,266,102.59 (**Ref: Exhibit 1**) out of US\$1,655,965.36 assessed by the audit as outstanding revenue since 2002 into NOCAL's account and have also made significant improvement in reconciling NOCAL's account and remitting the share of revenue due NOCAL at prompt. This development deriving from the outcome of the audit was disclosed to me by NOCAL's President/CEO after the said amount was deposited into NOCAL's account.

Management's Responsibility for Financial Statements

610. Management of NOCAL is responsible for the preparation and fair presentation of those financial statements in accordance with International Financial Reporting Standards (IFRSs). This responsibility includes designing, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor-General's Responsibility

611. My Responsibility is to express an opinion on those financial records based on the audit.

Audit Scope

612. I conducted the audit in accordance with auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI). An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by NOCAL Management in the preparation of the financial statements, and of whether the accounting policies are adequately disclosed.

613. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary to provide me with sufficient and appropriate audit evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, fraud or any other irregularity and that, in all material respect, the income and expenditure have been applied to the purposes intended by NOCAL's Board, and the financial transactions conform to the authorities which govern them. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements. I believe that my audit provides a reasonable basis for the audit opinion.

Basis of Opinion

614. The contract between TGS NOPEC and NOCAL was characterized by several irregularities. Refusal by TGS-NOPEC management to make available all the general ledgers and underlying records denied assurance that all the revenues collected on behalf of NOCAL was adequately captured, reported and shared.
615. The revenue distribution agreement between TGS-NOPEC and NOCAL was marred by irregularities, thus denying the complete reporting of revenues in the final accounts of NOCAL. Furthermore, the contract agreement was not transparent, as amendment was based on verbal agreement between TGS-NOPEC and NOCAL.
616. Fraud in the form of bribery was noted, such as the irregular payments of "lobby fees" to influence the passage of two concession contracts. A significant portion of the funds provided for lobbying fees remained unaccounted for.
617. There was no acceptable basis of accounting and measurement focus for the financial statements produced for periods ending 30 June 2007 and 2008. This means that the accounting for financial transactions was not done consistent with any generally accepted accounting principles.
618. A large number of undocumented transactions, compounded by inconsistencies between amounts reported in the financial statements, the budget performance report and on the bank statements. Figures reported also on the financial statements were not duly supported by underlying records and documentations.
619. A lack of performance of basic accounting functions and controls that would enhance the reliability and integrity of the financial information contained in the financial statements. For instance, there was poor storage management and a lack of regular bank reconciliations, thus denying assurance on the cash position of NOCAL.
620. Internal controls were noted to be severely weak. There was no assurance that value for money was achieved in the procurement of works and services, and the regularity of multiple transactions was observed as being lacking.
621. In all manner of respect, the financial management at NOCAL was characterized by fraud, waste and abuse that cast serious doubts on the final accounts produced by NOCAL. All this

was made possible because of a weak control environment evidenced by weak oversight by the Board of Directors and severely weak internal control systems, which jointly led to the production of financial statements that were grossly unreliable.

Auditor-General's Opinion

622. In my opinion, because of the significant uncertainties and disagreements arising from the matters listed above, the financial statements do not present fair view of the financial position of NOCAL as at 30 June 2007 and 2008 and the results of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards, or any other generally accepted accounting principle (GAAP).

Statement of Accountability


623. In this report, it is required that I hold people accountable for public monies entrusted to them for the purposes of providing services to the taxpayers. Section 53.7 of the Executive Law of 1972 defined the minimum reporting requirements in my audits. Section 53.7 requires me to report the following:

- Any officer or employee who has willfully or negligently failed to collect or receive monies belonging to the Government.
- Any public monies not duly accounted for and paid into an authorized depository.
- Any appropriation that was exceeded or applied to a purpose or in manner not authorized by law.
- Any deficiency or loss through the fraud, default or mistake of any person.
- Inadequate or ineffective internal control of public monies and assets. When appropriate, the report shall also include recommendations for executive action or legislation deemed necessary to improve the receipt, custody, accounting and disbursement of public monies and other assets.

624. Overall, both financial and administrative activities undertaken by NOCAL's Management during the period under review were characterized by a number of financial irregularities and control deficiencies. The irregularities noted amounted to **US\$406,384.26** and **L\$15,315.00**. **The irregularities noted were derived from** irregular payments on foreign travels, Board expenses, lobbying fees and unreported revenues as well as anomalies in the procurement of goods and services undertaken by management, which are yet to be accounted for.

Acknowledgement

625. I acknowledge the cooperation and assistance provided to the GAC Audit Team by the NOCAL Management, staff and TGS-NOPEC during the audit. The efforts and commitment of GAC staff in conducting the audit and reporting are also acknowledged.


John S. Morlu, II. *3:20 PM*
(Auditor-General, RL)
SSM II

April 2011

Accountability Schedule

Annexure 1

No.	Accountability Issue	Reference	Responsible Officers/ Institution	Position/Status	Amount (US\$)	Amount (L\$)
1	Irregular payments for lobbying fees	Paragraph 153	Alomiza Ennos Barr	Member of the National Legislature of Liberia (District #1 Representative)	40,000.00	
2	Irregular payments for lobbying fees	Paragraph 154	James Kaba	Chief Clerk of the House of Senate	1,500.00	
3	Payment, made to the National Legislature as lobbying fees, authorized from NOCAL's account without Board's approval. An amount which the Legislators have denied receiving from him.	Paragraph 156	Dr. Fodee Kromah	CEO/President	76,900.00	
4	Income taxes that the Company defaulted in paying, should be paid to the Ministry of Finance	Paragraph 229	NOCAL		10,025.54	
5	Non-deduction of tax from board fees	Paragraph 230	Marie Leigh-Parker, Jacob S. Sandike, Fulton Reeves, Christina Harmon & Timothy G. Wiaplah	Vice Presidents for Finance, Vice President for Technical Services, Comptroller, HR Manager & Accountant	3,100.00	
.	Money received as Board fees while at the same time serving in the capacity of CEO/President	Paragraph 231	Fodee Kromah	Former President/CEO	12,500.00	
7.	Irregular payments, purportedly representing bonuses, to Board Members	Paragraph 232	Refer to Exhibit 4	Former Board Members	14,500.00	
8.	Transaction cost with businesses that could not be located	Paragraph 279	Marie E. Leigh-Parker, Fulton M. Reeves & Henry M. Gray	Vice President for Finance, Comptroller &	12,630.00	

No.	Accountability Issue	Reference	Responsible Officers/Institution	Position/Status	Amount (US\$)	Amount (L\$)
				General Services Director		
9..	Dealings suppliers who confirmed that they had no record of business dealings with NOCAL	Paragraph 281	Marie E. Leigh-Parker and Henry M. Gray	Vice President for Finance & General Services Director	7,553.25	
10	Money received for legal services while at the same time serving as Board Member	Paragraph 306	Stephen Dunbar	Former Board Member	15,615.00	
11	Money received for legal services while at the same time serving as Board Member	Paragraph 306	Peter B. Jallah	Former Board Member	500.00	
12	Irregular Payment	Paragraph 307	J. Nanborlor F. Singbeh	Secretary of the Liberian Senate	2,000.00	
13.	Uncollected reimbursement for financing business trip of NOCAL officials to Spain	Paragraph 447	TGS-NOPEC.	Hired Gas & Oil Data Gathering Entity	9,700.00	
14	Unreimbursed travel expenses in contravention of contract agreement	Paragraph 448	Oranto Petroleum Ltd. and REPSOL	Contractors	126,124.33	
15	Supplies ordered and paid for which there was no evidence that they were delivered	Paragraph 468	Henry M. Gray	General Services Director	2,985.50	
16	Failure to provide supporting documents to acquit disbursements made	Paragraph 591	Purported Vendors	Reference Annexure 17	16,578.19	15,315.00
17	Transaction not supported by documentation	Paragraph 592	Marie E. Parker & Fulton Reeves	Vice President for Finance & Comptroller	54,172.45	
	Total				406,384.26	15,315.00

ANNEXURE 2

NOCAL TGS REVENUE RECALCULATION Analysis of Revenue Sharing Report Issued by TGS-NOPEC January 2002-December 2008

Client	MOU Period	Contract Date	Sales Amount	NOCAL % per audit	NOCAL Revenue Share Received	NOCAL Revenue Share per audit	TGS % per audit	TGS Revenue Share Received	TGS Revenue Share per audit
University of Utah	2002	9/17/2002	14,829.40	50%	1,482.94	7,414.70	50%	13,346.46	7,414.70
Repsol	2002	4/3/2003	198,907.31	50%	19,890.73	99,453.66	50%	179,016.58	99,453.66
Repsol	2002	12/30/2003	281,641.67	50%	28,164.17	140,820.84	50%	253,477.50	140,820.84
Woodside	2002	12/30/2003	511,842.50	50%	51,184.25	255,921.25	50%	460,658.25	255,921.25
Sub-total			1,007,220.88		100,722.09	503,610.45		906,498.79	503,610.45
Oranto	2004	3/19/2004	555,430.13	50%	55,543.01	277,715.07	50%	499,887.12	277,715.07
Regal Petroleum	2004	4/27/2004	100,000.00	50%	10,000.00	50,000.00	50%	90,000.00	50,000.00
Repsol	2004	6/16/2004	378,396.57	50%	37,839.66	189,198.29	50%	340,556.91	189,198.29
Regal Petroleum	2004	10/22/2004	336,002.23	50%	33,600.22	168,001.12	50%	302,402.01	168,001.12
Broadway	2004	11/30/2004	869,500.00	50%	86,950.00	434,750.00	50%	782,550.00	434,750.00
Sub-total			2,239,328.93		213,932.89	1,119,664.48		2,015,396.04	1,119,664.48
Regal Petroleum	2004	1/13/2005	599,170.38	10%	59,917.04	59,917.04	90%	539,253.34	539,253.34
Oranto	2004	2/7/2005	314,315.00	10%	31,431.50	31,431.50	90%	282,883.50	282,883.50
Esso	2004	10/25/2005	207,483.60	10%	20,748.36	20,748.36	90%	186,735.24	186,735.24
ExxonMobile	2004	8/29/2007	433,322.03	10%	43,332.20	43,332.20	90%	389,989.83	389,989.83
ExxonMobile	2004	10/29/2007	1,371,877.50	10%	137,187.75	137,187.75	90%	1,234,689.75	1,234,689.75
ExxonMobile	2004	10/29/2007	886,336.50	10%	88,633.65	88,633.65	90%	797,702.85	797,702.85
Anadarko Petroleum	2004	12/20/2007	52,056.29	10%	5,205.63	5,205.63	90%	46,850.66	46,850.66
Anadarko Petroleum	2004	12/20/2007	1,651,742.31	10%	991,045.39	353,122.41	90%	66,069.92	1,298,619.90
Sub-total			5,516,303.61		1,377,501.52	739,578.54		3,544,175.09	4,776,725.07
TGS recoup 6.4million									6,400,000.00

Revenue sharing without approved agreement	5/30/2008	378,000.00	100%	226,800.00	378,000.00	0%	151,200.00	0
Mittal Investment (pending)	6/30/2008	135,000.00	100%	81,000.00	135,000.00	0%	54,000.00	0
Hong Kong Tong Tai Petroleum Int'l Corp.	9/26/2008	135,000.00	100%	81,000.00	135,000.00	0%	54,000.00	0
Tullow	12/12/2008	1,358,124.16	100%	814,874.50	1,358,124.16	0%	543,249.66	0
Anadarko Petroleum	1/14/2009	372,164.25	100%	223,298.55	372,164.25	0%	148,865.70	0
Total S.A	7/3/2008	90,000.00	100%	54,000.00	90,000.00	0%	36,000.00	0
Tullow	12/12/2008	84,882.56	100%	50,929.54	84,882.56	0%	33,953.02	0
Tullow	12/12/2008	70,000.00	100%	42,000.00	70,000.00	0%	28,000.00	0
Hong Kong Tong Tai Petroleum Int'l Corp.(pending)		1,000,000.00		600,000.00	1,000,000.00		400,000.00	0
Sub Total		3,623,170.97		2,173,902.59	3,623,170.97		1,449,268.38	0
GRAND TOTAL		12,386,024.39		3,866,059.09	5,986,024.44		7,915,338.30	6,400,000.00

Toal amount of NOCAL Revenue Share as per audit	5,986,024.44	Total amount of NOCAL Revenue Share as per Schedule	3,866,059.09	Revenue without formal agreement	1,449,268.38
Less: Net amount paid NOCAL	-3,195,059.08	Less: Net amount paid NOCAL	-3,195,059.08	less: collection pending	(454,000.00)
Collection pending	-1,135,000.00	Collection pending	-681,000.00	Net amount without agreement	995,265.38
Amount due NOCAL as per audit	1,655,965.36		-9,999.99		

ANNEXURE 3A

NOCAL TGS Revenue Recalculations Schedule of Revenue and Receipt January 2002 – November 2008

	MOU		Invoice		Interpretation						Total	NOCAL	NOCAL Rev	TGS	TGS Rev
Client	Period	Number	Kms	Rate	Linceense	Discount	Tape Copy	Product Charge	Report	Wells Log	Amount	% Per audit	Per audit	% Per audit	Per audit
University of Utah	4/29/2002	B029799	296.588	N/A	14,829.40		620.73				15,450.13	50%	7,725.07	50%	7,725.07
Repsol	11/30/2002	M7629		N/A	198,907.31						198,907.31	50%	99,453.66	50%	99,453.66
Repsol	11/30/2002	M7813	3,116,070	N/A	312,935.19	31,293.52	4,984.11				286,625.78	50%	143,313.89	50%	143,313.89
Woodside	11/30/2002	M7815	4,136,112	N/A	511,842.50		6,904.15				518,746.65	50%	259,373.33	50%	259,373.33
Oranto	1/27/2004	M7902	3,002,325	N/A	555,430.13						555,430.13	50%	277,715.07	50%	277,715.07
Regal Petroleum	1/27/2004	M7942		N/A	100,000.00						100,000.00	50%	50,000.00	50%	50,000.00
Repsol	1/27/2004	B031176	1,698.78	N/A	420,440.63	42,044.06	2,798.13				381,194.70	50%	190,597.35	50%	190,597.35
Regal Petroleum	1/27/2004	M8137	4,793.36	N/A	359,502.00	23,500.00					336,002.00	50%	168,001.00	50%	168,001.00
Broadway	1/27/2004	M8179	4,700.00	N/A	869,500.00						869,500.00	50%	434,750.00	50%	434,750.00
Regal Petroleum	1/27/2004	M8276	4,793.36	N/A	599,170.38						599,170.38	10%	59,917.04	90%	539,253.34
Oranto	1/27/2004	M8259	1,699,000	N/A	314,315.00		2,548.50				316,863.50	10%	31,686.35	90%	285,177.15
Esso	1/27/2004	B031702	1,206,300	N/A	207,483.60			2,109.77			209,593.37	10%	20,959.34	90%	188,634.04
Prior Yeat Totals					4,464,356.14	96,837.58	17,855.62	2,109.77			4,387,483.95		1,743,491.08		2,643,992.99
ExxonMobile Exploration	1/27/2004	0000650	1,387,738	N/A	433,322.03			2,916.61			436,238.64	10%	43,623.86	90%	392,614.78
ExxonMobile Exploration	1/27/2004	0000784	350,000	N/A	1,371,877.50			6,879.25			1,378,756.75	10%	137,875.68	90%	1,240,881.08
ExxonMobile Exploration	1/27/2004	0000853	0.000	N/A	886,336.50			5,431.68			891,768.18	10%	89,176.82	90%	802,591.36
Anadarko Petroleum	11/26/2007	0000951	4,543,463	500	52,056.29						52,056.29	10%	5,205.63	90%	46,850.66
Anadarko Petroleum	11/26/2007	0000951	0.000		1,651,742.31			7,292.37			1,659,034.68	10%	165,903.47	90%	1,493,131.21
Total S.A	11/26/2007	001495	699.98	500	378,000.00			1,300.00	90,000.00	24,300.00	493,600.00	10%	49,360.00	90%	444,240.00
Mittal Investment	11/26/2007	001460-Data	0.000		150,000.00						150,000.00	10%	15,000.00	90%	135,000.00
2007 Totals					4,923,334.63		0	23,819.91	90,000.00	24,300.00	5,061,454.54		506,145.45		4,555,309.00
Grand Total Revenue					9,387,690.77		17,855.62	25,929.68	90,000.00	24,300.00	9,448.49		2,249,636.53		7,199,301.96
13.1. Promoting Accountability, Transparency, Integrity and Fiscal Probiy															
% of Distribution															
Mittal Investment	11/26/2007	001460-DataLic			150,000.00							10%	15,000.00		

Net Amounts					9,237,690.77								2,234,636.53
Less Payments by TGS													-1,928,956.50
Amount Due NOCAL Per Audit													305,680.03
Interest on amount 14% Liberia													42,795.20
Additional Revenue to NOCAL													348,475.23
NOCAL Cash receipt from TGS													1,928,956.50
Less Cash Payment to NOCAL thru 12/07													-894,098.09
Amount Should have been in Escrow													1,034,858.41
Interest on amount in Escrow 14% (Liberia)													144,880.18
Total Amount Due NOCAL													1,179,738.59
Payment Thru 10/08													1,034,858.41
													144,880.00
Total Amount Due NOCAL													493,355.41

ANNEXURE 3B

Analysis of TGS-NOPEC SHARE OF REVENUE BASED ON PARAGRAPHS OF AGREEMENT

	Amount (US\$)
Share of sales from 2002-2007 (see Annexure 3A)	7,199,301.00
Less: Amount repaid by NOCAL from proceeds generated-sales	-6,400,000.00
Additional revenue after repayment of TGS-NOPEC Debt	799,301.00
Invoice not yet paid by customer	-135,000.00
Additional Revenue Less Outstanding Sales	664,301.00
50% excess over new revenue rate of 40% assigned to TGS-NOPEC (i.e. instead of new assigned share of 40%, 90% share of Revenue was used in arriving at US\$7,199,301.96 as TGS' assigned share)	332,150.50
Amount currently awaiting payment by customer (50% of US\$135,000.00 to be remitted to NOCAL's Account	-67,500.00
Difference/Balance Due NOCAL	264,650.50

Annexure 5

Date	Description	Ref #/CK #	Amount
	Balance brought Forward		72,863.39
8/7/2006	Transfer CK 467906 Dep IFO N.O.C	467906	900.00
8/21/2006	Transfer EBL	EBLIT060821-3216	49,970.00
8/25/2006	Transfer Oronto Petroleum	EBLIT0608258-3605	250,000.00
8/29/2006	Transfer LBDI Ck 791046Dep	34956	50,000.00
			350,870.00
9/1/2006	Cash deposit by Timothy Wiaplah105483	34957	21.00
9/4/2006	Transfer TSS NSPES SEO	EBLIT060904-3730	49,970.00
			49,991.00

Date	Description	Ref #/CK #	Amount
	Balance brought Forward		72,863.39
10/6/2006	Transfer TGS NOPEC Geophysical Co	EBLIT06101006-4261	50,000.00
10/12/2006	Transfer CBL CK DEP slip 120807	FT0628500097	28,089.00
			78,089.00
11/22/2006	Transfer Clearing CBL CK 72144 DEP	FT0632600089	26,438.00
12/22/2006	Transfer Clearing CBL CK 84149 Dep	FT0635600179	13,161.00
1/16/2007	Transfer CBL CK Dep 87192	FT0701600012	17,118.00
2/16/2007	Transfer Woodside Energy UK	EBLIT070129-488	4,975.00
2/16/2007	Transfer REPSOL Exploration	EBLIT070213-726	4,972.00
2/20/2007	Transfer CBL CK 94175 DEP	FT0705100300	10,882.00
2/28/2007	Cash Deposit by Timothy Wiaplah	149553	150.00
			20,979.00
3/5/2007	Transfer Ck IFO Nat. Oil Co #553318	FT0706401108	1,397.00
3/8/2007	Transfer IB CK #000021 DEP	FT0706500702	5,000.00
3/13/2007	Transfer TGS NOPEC GEOphysical Co	FT0707201054	94,988.00
3/19/2007	Cash Deposit by Timothy Wiaplah DN 198303	TT0707800782	100.54
3/26/2007	Transfer CBL CK 114560 Dep	FT0708500656	8,905.00
			110,390.54
5/3/2007	Traansfer CBL CK Dep124454-132022	217075	25,724.32

Date	Description	Ref #/CK #	Amount
	Balance brought Forward		72,863.39
5/7/2007	Cash Deposit by timothy Wiaplah DN 223591	TT0712700994	1,800.00
5/9/2007	Cash Deposit by timothy Wiaplah DN 223742	TT0712900121	50.00
5/11/2007	Cash Deposit by timothy Wiaplah DN 225433	TT0713100551	2,000.00
5/11/2007	Transfer TGS NOPEC Geophysical Co	EBLIT070511-2517	9,666.20
5/21/2007	Transfer ck 610609 Dep IFO National Oil	FT0714100281	3,500.00
			42,740.52
6/4/2007	Transfer clearing CBL check 140771 Dep	239900	9,100.00
6/14/2007	Cash Deposit Ifo National oil Co	242698	5,600.00
			14,700.00
	Grand Total		797,340.45

Operating Account USD

A/C Number 10210030612011

Schedule of Income July 2007/June 2008

(ANNEXURE 5 Cont'd)

Date	Description	Ref #/CK #	Amount	
	Opening Balance		23,854.74	
7/9/2007	Transfer CBL CK 154893 Dep	FT0719000768	10,474.00	
7/10/2007	Cash Deposit by Timothy Wiaplah 10869	TT0719100272	5,000.00	deposit slip seen
			15,474.00	
8/22/2007	Transfer Broadway Consolidated PLC	FT0723400054	299,965.00	credit advice seen
9/4/2007	Transfer CBLCK 180164 Dep	FT0724700864	22,743.00	Deposit slip seen

Date	Description	Ref #/CK #	Amount	
10/15/2007	Transfer CBL CK 155221 Dep	FT0728801136	13,171.00	deposit slip seen
11/15/2007	Transfer Broadway Con.Plc	FT0731900536	423,965.00	credit advice seen
11/15/2007	Cash deposit by Timothy on 76146	TT0731900207	130.00	deposit slip seen
			424,095.00	
12/11/2007	Transfer TGSNOPEC	FT0734500087	21,666.10	Not seen in cash listing
1/18/2008	Transfer CBL CK Dep 271850	FT0801800265	11,751.00	deposit slip seen
1/24/2008	Transfer CBL CK Dep 271880	FT0802400220	11,751.00	deposit slip seen
			23,502.00	
2/4/2008	Transfer Clearing CBL CK 261656 Dep	FT0803501028	14,926.00	deposit slip seen
2/20/2008	transfer A2DTechnologies Inc S542772.ICP021908	FT0805100738	2,450.00	credit advice seen
			17,376.00	
4/8/2008	Transfer CBL CK0298827 Clearing Dep	FT0809900657	16,989.01	Deposit slip seen
5/2/2008	Transfer IFO national Oil Co. BOD NOCAL Hydrocarbon Dev. Fund	FT0812301687	50,000.00	Credit advice not seen
5/16/2008	Transfer NOCAL Hydrocarbon Dev. Fund	FT0813701788	164,000.00	Credit advice not seen
			214,000.00	
6/17/2008	Transfer REPSOL Exploration SA	FT0816900480	3,950.84	Credit advice seen
6/25/2008	Transfer clearing of Ck Dep 39486	FT0817700592	38,485.51	deposit slip seen
6/30/2008	Transfer A2D Technologies Inc.	FT0818202584	5,250.00	not seen in cash Listing
			47,686.35	

Date	Description	Ref #/CK #	Amount	
	Grand Total		1,140,522.20	

Hydrocarbon Account USD

A/C Number 10210030612027

Details of Income July 2006/June 2007

(ANNEXURE 5 Cont'd)

Date	Description	Ref #/CK #	Amount
	Opening Balance		-
9/6/2006	Transfer Ck 445805	FT0624900134	246,250.00

Special Account LD

A/C Number 10210030611015

Details of Income July 2006/June 2007

(ANNEXURE 5 Cont'd)

Date	Description	Ref #/CK #	Amount
	Balance brought Forward		-
3/23/2007	Transfer EBL Clearing CBLCKS17293-17277 Dep	FT0708200805	352,009.54
3/23/2007	Cash Deposit by Timothy Wiaplah on 101569	TT0708200522	8,460.00
			360,469.54
4/3/2007	Transfer Clearing CBLCK17630 Dep	FT0712001191	182,506.66
5/3/2007	Transfer Clearing CBL Ck 20660 Dep	FT0712300053	179,838.26
5/9/2007	Cash Deposit by Timothy Wiaplah	124595	3,000.00
5/9/2007	Cash Deposit by Timothy Wiaplah	124651	1,200.00
			184,038.26

(ANNEXURE 5 Cont'd)

Date	Description	Ref #/CK #	Amount
6/19/2007	Transfer Clearing CBL Ck 20404 Dep	FT0717001137	177,505.00
	Total		904,519.46
	Converted at the rate of USD 58		15,595.16

Hydrocarbon Account USD

A/C Number 10210030612027

Details of Income July 2007/June 2008		ANNEXURE 5 Cont'd	
Date	Description	Ref #/CK #	Amount
7/24/2007	Transfer clearing IB CK85Dep	FT0720500270	2,000.00
7/25/2007	Transfer EBL Act on IB CK 85 Deposit	FT0720600587	200,000.00
	Sub Total		202,000.00
9/12/2007	Transfer 8550Ck 608178 Dep IFO NOCAL Hydrocarbon	FT0725500248	295,465.52
9/19/2007	Transfer ATLAS Petroleum IFO National Oil	FT0726200786	1,499,980.00
	Sub Total		1,795,445.52
1/1/2008	Payment of Interest	LD0728100018	17,000.00
4/14/2008	Payment of interest	LD0804400016	14,155.56
4/14/2008	Payment of interest	LD0804400015	3,033.33
	Sub Total		17,188.89
	Grand Total		2,031,634.41

Details of Income July 2007/June 2008		ANNEXURE 5 Cont'd	
Date	Description	Ref #/CK #	Amount

Special Account LD

A/C Number 10210030611015

Schedule of Income July 2007/June 2008

(ANNEXURE 5 Cont'd)

DATE	DESCRIPTION	REF #/CK #	AMOUNT
7/9/2007	Transfer CBL CK DEP	20414	179,839.00
9/11/2007	Transfer CBLCK Deposit	20965	78,465.48
10/10/2007	Transfer Clearing CBL Ck 22231 Dep	Ft0727400789	178,639.00
1/2/2008	Transfer Clearing CBL Ck 23569 Dep	FT0800200955	190,798.80
2/6/2008	Transfer Clearing CBL Ck 44322Dep	FT0803701198	182,414.00
2/7/2008	Transfer Clearing CBL Ck 44326Dep	FT080800743	188,949.00
	Sub Total		371,363.00
3/3/2008	Transfer Clearing CBL Ck 44405Dep	FT0806302579	188,949.00
6/25/2008	Transfer clearing Ck38954 Dep	FT0817700661	508,847.00
	Grand Total		1,696,901.28
	Converted at the rate of 60 USD		28,281.69

**National Oil Company
Unknown Source of Income
For the Fiscal Year 2006/2007**

(ANNEXURE 6A)

	Operating USD Account		
Date	Description	Ref # / CK #	Amount
8/7/2006	Transfer CK 467906 Dep IFO N.O.C	467906	900.00
9/1/2006	Cash deposit by Timothy Wiaplah105483	34957	21.00
2/28/2007	Cash Deposit by Timothy Wiaplah	149553	150.00
3/5/2007	Transfer Ck IFO Nat. Oil Co #553318	FT0706401108	1,397.00
3/8/2007	Transfer IB CK #000021 DEP	FT0706500702	5,000.00
3/19/2007	Cash Deposit by Timothy Wiaplah DN 198303	TT0707800782	100.54
5/7/2007	Cash Deposit by timothy Wiaplah DN 223591	TT0712700994	1,800.00
5/9/2007	Cash Deposit by timothy Wiaplah DN 223742	TT0712900121	50.00
5/11/2007	Cash Deposit by timothy Wiaplah DN 225433	TT0713100551	2,000.00
5/21/2007	Transfer ck 610609 Dep IFO National Oil	FT0714100281	3,500.00
6/14/2007	Cash Deposit Ifo National oil Co	242698	5,600.00
	Total		20,518.54
For the Fiscal Year 2007/2008			
7/9/2007	Transfer CBL CK 154893 Dep	FT0719000768	10,474.00
11/15/2007	Cash deposit by Timothy on 76146	TT0731900207	130.00
	Total		10,604.00

**Details of Hydro Carbon Funds Transferred to NOCAL operating account
For the Fiscal Year July 07-June 08**

(ANNEXURE 6B)

Date	Description	Ref #/CK#	Amount
5/2/2008	Transfer IFO national Oil Co. BOD NOCAL Hydrocarbon Dev. Fund	FT0812301687	50,000.00
5/16/2008	Transfer NOCAL Hydrocarbon Dev. Fund	FT0813701788	164,000.00
	Total		214,000.00

**Unknown Source of Income
For the Fiscal Year 2006/2007**

(ANNEXURE 6C)

Special Account LD

Date	Description	Ref #/CK #	Amount
3/23/2007	TransferEBL Clearing CBLCKS17293-17277 Dep	FT0708200805	352,009.54
3/23/2007	Cash Deposit by Timothy Wiaplah on101569	TT0708200522	8,460.00
5/9/2007	Cash Deposit by Timothy wiaplah	124595	3,000.00
5/9/2007	Cash Deposit by Timothy wiaplah	124651	1,200.00
	Total		364,669.54

Account Balances
For the period July 06 to June 08
Annexure 7A

Account Title	Opening Balance Per Bank	LD Converted 58 to1	Closing Balance Per Bank
	July 1,2006		June 30,2007
Operation Account USD	72,863.39		23,854.74
Hydro Carbon Account USD	-		79,659.37
Special Account LD	-	15,018.27	871,059.46
Total USD			118,532.38

Annexure 7B

Account Title	Opening Balance Per Bank	LD Converted 60 to 1	Closing Balance Per Bank
	July 1,2007		June 30,2008
Operation Account USD	23,854.74		272,723.63
Hydro Carbon Account USD	79,659.37		7,693.88
Special Account LD	871,059.46	41,383.78	2,483,026.74
Total USD			321,801.29

(ANNEXURE 8)

DESCRIPTION	VOUCHER #	CHECK #	Amount	
			US\$	LD\$
Payment for replenished petty cash for July -Aug. 2006	278	431851	100.00	-
Payment for replenished petty cash for Aug. 2006	288	0	97.00	-
payment to replenished petty cash for sept.2006	469	451893	100.00	-
payment to replenished petty cash for sept.2006	491	445815	88.00	-
payment to replenished petty cash for oct.2006	537	476553	85.25	-
payment to replenished petty cash for oct.2006	549	476585	86.00	-
payment to replenished petty cash for oct.2006	270	476507	93.00	-
payment to replenished petty cash for nov.2006	143	513411	100.00	-
payment to replenished petty cash for dec.2006	342	513462	91.00	-
payment to replenished petty cash for jan.2007	591	513485	99.00	-
payment for garbage collection fee for jan.2007	365	552901	6.00	-
payment for replenished petty cash jan.2007	400	552930	94.00	-
payment for replenished petty cash feb.2007	4	552933	99.00	-
payment for replenished petty cash mar.2007	54	552974	98.00	-
payment for replenished petty cash apri.2007	84	553007	99.00	-
payment for replenished petty cash apri.2007	508	553029	54.00	-
payment for replenished petty cash may.2007	538	7008831	-	6,000.00
payment for replenished petty cash may.2007	225	334656	-	5,340.00
payment for replenished petty cash jun.2007	236	334659	-	5,720.00
payment for replenished petty cash jun.2007	424	334660	-	5,280.00
payment for replenished petty cash nov.2007	142	334676	-	5,630.00
payment for replenished petty cash nov.2008	451	334685	-	2,940.00
payment for replenished petty cash may.2008	592	334690	-	5,810.00
payment for replenished petty cash jun.2008	648	334692	-	5,945.00
payment for replenished petty cash Jun .2008	348	334683	-	5,635.00

DESCRIPTION	VOUCHER #	CHECK #	Amount	
			US\$	LD\$
payment for replenished petty cash july.2006	417	451810	84.00	-
payment for replenished petty cash july.2006	446	451838	74.00	-
payment for replenished petty cash aug.2006	291	451865	93.00	-
payment for replenished petty cash nov.2006	113	476532	94.00	-
payment for replenished petty cash Dec.2006	333	513457	66.00	-
payment for replenished petty cash jul.2007	3	334668	-	5,150.00
payment for replenished petty cash aug.2007	240	334665		5,864.00
payment for replenished petty cash sept.2007	86	334671		5,060.00
payment for replenished petty cash nov.2007	256	334678		5,705.00
payment for replenished petty cash Jan .2008	328	334680		5,610.00
payment for replenished petty cash mar .2008	402	334687		5,645.00
payment for replenished petty cash apr.2008	530	334688		5,005.00
			1,800.25	86,339.00

(ANNEXURE 9A)

NO.	DATE	VOUCHER #	VOUCHER DESCRIPTION	AMOUNT	PAYEE	CHECK #
1	September11,2007	65	Payment for (1) one ticket to Freetown	371	SLOK AIRLINES	486322
2	September10,2007	53	Payment for (3) three air tickets	11,449.28	BRUSSELS AIR LINES	486318
3	August27,2007	238	Payment for (1) one air ticket	490	ALBERT T. CHIE	486312
4	August 27,2007	239	Payment for (1) one air ticket	90	FODEE KROMAH	486311

NO.	DATE	VOUCHER #	VOUCHER DESCRIPTION	AMOUNT	PAYEE	CHECK #
5	November 27,2007	195	Payment for (1) one way air ticket (for V.P.TECH) REIMBURSEMENT)	413	JACOB S. SANDIKIE	697706
6	August 17,2007	222	Payment for three (3) air tickets	815	SLOK AIRLINE	486298
7	August 28,2007	237	Payment for one (1) ticket	490	MARIE E. PARKER	486313
8	September 4,2006	474	Payment for two (2) air tickets	2,116.00	BELLVIEW AIRLINE	451898
9	April 3,2008	431	Payment for air tickets (3)	7,569.00	BRUSSEL AIRLINES	757922
10	January 28,2008	352	Payment for air ticket (1) one	1,647.00	BRUSSEL AIRLINES	673922
11	8-Nov-06	112	Payment for one round trip ticket	947	SLOK AIRLINES	476531
12	10-Sep-07	62	Payment for two round trip tickets	742	SLOK AIRLINES	486319
	TOTAL			27,139.28		

ANNEXURE 9B

DATE	PAYEE	Voucher #	CK #	Days	Rate	PER DIEM	VISA	AIR PORT TAX	TICKET	INCIDENT	ACCOM.	TOTAL	LOCATION	SPONSOR	COMMENT
10-Sep-07	Albert T. Chie	54	486 317	11	200.00	2,200.00		25.00				2,225.00	JOC Tech. meetings	NOCAL	foreign travel
10-Sep-07	Fodee Kromah	57	486 314	11	350.00	3,850.00		25.00				3,875.00	London	NOCAL	foreign travel
28-Jan-08	Jacob S. Sandikie	354	673 924	12	300.00	3,600.00	400.00	25.00		600.00		4,625.00	UK/Ghana/S. Leone	NOCAL	foreign travel
13-Nov-06	Fodee Kromah	116	476 534	7	350.00	2,450.00						2,450.00	London	NOCAL	foreign travel
29-Jan-08	Albert T. Chie	359	673 930	10	200.00	2,000.00						2,000.00	London	NOCAL	foreign travel
7-Feb-07	Marie E. Leigh-Parker	373	486 240	12	300.00	3,600.00						3,600.00	U.S.A	NOCAL	foreign travel
3-Apr-08	Marie E. Leigh-Parker	435	757 927	11	200.00	2,200.00					2,250.00	4,450.00	London/U.S.A	NOCAL	Ticket & 9 days accommodation at 250 per night
3-Apr-08	Jacob S. Sandikie	436	757 926	6	150.00	900.00					1,200.00	2,100.00	London/U.S.A	NOCAL	foreign travel, per diem 3 days accommodation at 400.00 per night
7-Feb-07	Marie E. Leigh-Parker	372	486 239									500.00	U.S.A	NOCAL	Excess Baggage with no documentation to prove.
3-Apr-08	Brussels Airlines	431	757 922						7,569.00			7,569.00	London/U.S.A	NOCAL	1 business class @ 4,094.00, 1 economy class @ 1,996.00, 1 economy class @ 1,678.00
10-Sep-07	Clemenceau B. Urey	56	486 315	11	350.00	3,850.00		25.00				3,875.00	London	NOCAL	foreign travel

DATE	PAYEE	Voucher #	CK #	Days	Rate	PER DIEM	VISA	AIR PORT TAX	TICKET	INCIDENT	ACCOM.	TOTAL	LOCATION	SPONSOR	COMMENT
9-Mar-07	Fodee Kromah	19	486 252	4	350.00	1,400.00		25.00				1,425.00	Sierra Leone	NOCAL	foreign travel
17-Aug-07	Marie E. Leigh-Parker	225	486 295	7	300.00	2,100.00		50.00				2,150.00	S. Leone/London	NOCAL	foreign travel
17-Aug-07	Fodee Kromah	224	486 294	7	350.00	2,450.00						2,450.00	S. Leone/London	NOCAL	foreign travel
7-Feb-07	Timothy G. Wiaplah	375	486 242	14	350.00	4,900.00						4,900.00	U.S.A	NOCAL	Foreign travel. Check raised in Timothy Wiaplah name for Urey
7-Feb-07	Fodee Kromah	374	486 241	14	350.00	4,900.00						4,900.00	U.S.A	NOCAL	foreign travel
28-Aug-07	Marie E. Leigh-Parker	237	486 313				400.00	40.00	50.00			490.00	S. Leone	NOCAL	foreign travel
10-Sep-07	Brussels Airlines	53	486 318						11,449.28			11,449.28	London	NOCAL	Economy class 3,445.26, business class 8,004.02.
28-Jan-08	Brussels Airlines	352	673 922						1,647.00			1,647.00	JOC tech. meetings	NOCAL	economy class 1,647.00
4-Apr-08	Albert T. Chie	439	757 930								1,200.00	1,200.00	London/U.S.A	NOCAL	foreign travel
3-Apr-08	Albert T. Chie	437	757 925	6	300.00	1,800.00						1,800.00	London/U.S.A	NOCAL	foreign travel
22-Nov-07	Clemenceau B. Urey	187	697 699	4	350.00		1,400.00					1,400.00	Ghana	NOCAL	foreign travel
						42,200.00	2,200.00	215.00	20,715.28	600	4,650.00	71,080.28			

National Oil Company

Schedule of Payments Not traced to Bank statement

ANNEXURE 10 A

For the Period July 2006-June 2008

DATE	PAYEE	CK#	ACCT#	PURPOSE	USD
19-Nov-07	Monrovia Investment Service Station	697684	10-2100306-12-027	utility gas	33.33
6-Feb-07	Mamba Point Hotel	486237	10-2100306-12-027	Hotel accommodation	4,233.00
19-Oct-07	Mum-Meh Auto Garage	673912	10-2100306-12-011	Vehicle Maintenance	130.00
28-May-07	LBS	760414	10-2100306-12-011	Air-bid round	100.00
23-Jan-07	Heritage News paper	486228	10-2100306-12-027	press release	50.00
29-Apr-08	Ink Publishing-Spirit Magazine	Trans	10-2100306-12-011	Advertisement	5,400.00
14-Feb-08	ATA spare service	673948	10-2100306-12-011	N/A	652.00
20-Jun-08	Atlantic Life & General Insurance Co.	760448	10-2100306-12-011	N/A	3,227.06
	Total				13,825.39

Schedule of Vendor Confirmation Versus Audit Verification

For the Fiscal Period July 2006-June 2008

ANNEXURE 10 B

Vendor	Amt per Vendor in USD	Amt per audit verification in USD	Over Statement	under Statement	Total Misstatement
Royal Stationery Stores INC	10,303.00	10,865.41		562.41	562.41
PA'S Rib House	1,199.25	6,109.50		4,910.25	4,910.25
National Printers	1,492.00	572.00	920.00		920.00
FedEx	760.00	120.00	640.00		640.00
Metro Stationery Store	2,319.50	1,036.00	1,283.50		1,283.50
Marconi & Company	497.00	687.00		190.00	190.00
Total	16,570.75	19,389.91	2,843.50	5,662.66	8,506.16

ANNEXURE 11: Payment of Board Fees made to Non-Board Members

No.	Date	Payee	Code	Voucher #	Check #	Amount (US\$)
1	19-Jul-07	Dr. Fodee Kromah	70-08-804	5	608193	3,000.00
2	1-Aug-07	Dr. Fodee Kromah	70-08-804	201	486272	500.00
3	3-Aug-07	Dr. Fodee Kromah	70-08-804	209	486279	2,500.00
4	November 6, 2007	Dr. Fodee Kromah	70-08-804	144	697662	1,000.00
5	25-Jan-08	Dr. Fodee Kromah	70-08-804	351	697749	1,500.00
6	11-Mar-08	Dr. Fodee Kromah	70-08-804	488	802403	2,000.00
7	25-Apr-08	Dr. Fodee Kromah	70-08-804	546	760362	2,000.00
	Sub-Total					\$ 12,500.00
8	11-Mar-07	Mrs. Marie E. Leigh	70-08-804	479	674048	\$ 200.00
9	28-May-07	Mrs. Marie E. Leigh	70-08-804	596	760407	\$ 200.00
10	27-Nov-07	Mrs. Marie E. Leigh	70-08-804	191	697702	\$ 400.00
	Sub-Total					\$ 800.00
11	11-Mar-07	Mr. Jacob S. Sandikie	70-08-804	478	674049	\$ 200.00
12	28-May-07	Mr. Jacob S. Sandikie	70-08-804	594	760408	\$ 200.00
13	27-Nov-07	Mr. Jacob S. Sandikie	70-08-804	194	697705	\$ 400.00
	Sub-Total					\$ 800.00
14	11-Mar-07	Mr. Fulton D.	70-08-804	477	674050	\$ 150.00
15	28-May-07	Mr. Fulton D.	70-08-804	594	760409	\$ 150.00
16	27-Nov-07	Mr. Fulton D.	70-08-804	193	697704	\$ 300.00
	Sub-Total					\$ 600.00
17	11-Mar-07	Mrs. Christiana	70-08-804	476	802401	\$ 150.00
18	28-May-07	Mrs. Christiana	70-08-804	593	760410	\$ 150.00
19	27-Nov-07	Mrs. Christiana	70-08-804	192	697703	\$ 300.00
	Sub-Total					\$ 600.00
		Grand Total				\$ 15,300.00

NON DEDUCTION OF INCOME TAXES FROM BOARD FEES

ANNEXURE 12

Date	Payee	Code	USD	Convert to LD	Taxes Computation	Annual Tax LD	USD Tax
1-Jul-06/30-Jun-07	Stephen B. Dunbar, Jr	7-008-804	6,000.00	348,000.00	148,000.00	51,740.00	892.07
	Samuel B. Cooper, Jr	7-008-804	5,000.00	290,000.00	90,000.00	40,140.00	692.07
	Evelyn S. Kandakai	7-008-804	6,000.00	348,000.00	148,000.00	51,740.00	892.07
	Eugene Shannon	7-008-804	2,000.00	116,000.00	6,000.00	9,540.00	164.48
	Antoinette Sayeh	7-008-804	1,000.00	58,000.00	8,000.00	2,940.00	50.69
	Clemenceau B. Urey	7-008-804	7,000.00	406,000.00	6,000.00	63,640.00	1,097.24
	Peter B. Jallah	7-008-804	4,100.00	237,800.00	37,800.00	29,700.00	512.07
	Albert Chie	7-008-804	<u>3,000.00</u>	<u>174,000.00</u>	<u>74,000.00</u>	<u>18,240.00</u>	<u>314.48</u>
	Total		34,100.00	1,977,800.00	527,800.00	267,680.00	4,615.17
1-Jul-07/30-Jun-08							
	Fodee Kromah	7-008-804	12,500.00	725,000.00	325,000.00	143,390.00	2,472.24
	Stephen B. Dunbar, Jr	7-008-804	6,000.00	348,000.00	148,000.00	51,740.00	892.07
	Peter B. Jallah	7-008-804	6,600.00	382,800.00	182,800.00	58,700.00	1,012.07
	Samuel B. Cooper, Jr.	7-008-804	5,200.00	301,600.00	101,600.00	42,460.00	732.07
	Evelyn S. Kandakai	7-008-804	6,000.00	348,000.00	148,000.00	51,740.00	892.07
	Eugene Shannon	7-008-804	10,500.00	609,000.00	209,000.00	114,390.00	1,972.24
	Clemenceau B. Urey	7-008-804	11,000.00	638,000.00	238,000.00	121,640.00	2,097.24
	Christiana N. Harmon	7-008-804	600.00	34,800.00	22,800.00	1,380.00	23.79
	Fulton D. Reeves	7-008-804	600.00	34,800.00	22,800.00	1,380.00	23.79
	Jacob S. Sandikie	7-008-804	800.00	46,400.00	34,400.00	1,960.00	33.79
	Marie E. Leigh-Parker	7-008-804	800.00	46,400.00	34,400.00	1,960.00	33.79
	Timothy G. Wiaplah	7-008-804	<u>300.00</u>	17,400.00	<u>5,400.00</u>	<u>510.00</u>	<u>8.79</u>
	Total		60,900.00	3,532,200.00	1,472,200.00	591,250.00	10,193.97
	Grand Total		95,000.00	5,510,000.00	2,000,000.00	858,930.00	14,809.14

**** Exchange rate \$USD 1 : \$58LD**

Board fees Vouchers Avail for Audit
ANNEXURE 13A

For the Fiscal Period July 2006-June 2007

Date	A/C Code	Payee	Description	Voucher #	CK #	Amount per Voucher	Amount per Income statement	Variance
March 27,2007	7-008-804	Evelyn S. Kandakai	Advance payment against 1st and 2nd quarter board Fees for 2007	70	552993	2,000.00		
March 27,2007	7-008-804	Peter B. Jallah	Advance payment against 1st and 2nd qtr board Fees for 2007	71	552992	1,500.00		
March27,2007	7-008-804	Stephen B. Dunbar, Jr	Advance payment against 1st and 2nd qtr board Fees for 2007	73	552990	2,000.00		
March 27,2007	7-008-804	Samuel B. Cooper	Advance payment against 1st and 2nd qtr board Fees for 2007	72	552991	2,000.00		
Nov. 27, 2006	7-008-804	Peter B. Jallah	payment of Board allowance for 4th quarter	150	513418	200.00		
Dec. 4,2006	7-008-804	Albert Chie	Payment representing Board fees for 4th qtr 2007	329	513448	1,000.00		
Aug.9,2006	7-008-804	Clemenceau B. Urey	Board Allowance for third quarter 2006	280	N/A	1,000.00		
Aug.9,2006	7-008-804	Antoinette Sayeh	Board Allowance for third quarter 2006	289	451863	1,000.00		
Aug.9,2006	7-008-804	Eugene Shannon	Board fees for third quarter2006	285	N/A	1,000.00		
Aug.9,2006	7-008-804	Stephen B. Dunbar, Jr	Board Allowance for third quarter 2006	281		1,000.00		
Aug.9,2006	7-008-804	Evelyn S. Kandakai	Board Allowance for third quarter 2006	284		1,000.00		
						<u>13,700.00</u>	<u>35,000.00</u>	<u>21,300.00</u>

Board fees Vouchers Avail for Audit
For the Fiscal Period July 2007-June 2008 Annexure 13B

Date	A/C Code	Payee	Description	Voucher #	CK #	Amount per Voucher
26-Jun-08	7-008-804	Samuel B. Cooper	Advance payment of Board Fees to applied in next budget	665	760454	1,000.00
March 11,2008	7-008-804	Fodee Kromah	Board Fees for third quarter 2007/2008	488	802403	2,000.00
March 11,2008	7-008-804	Christiana N. Harmon	Payment against Board fees for third quarter 07/08	476	802401	150.00
Feb. 20,2008	7-008-804	Peter B. Jallah	Payment against Board fees for Board member quarterly Allowance	455	674021	250.00
3-Aug-07	7-008-804	Clemenceau B. Urey	Board fees against fiscal budget 07/08 including arrears	208	486280	3,500.00
						6,900.00

Un-retired Foreign Travel Advances

ANNEXURE 14

No	Date	Payee	Description	Check #	Amount US\$
1	Feb. 7,07	Marie E. Leigh-Parker Mrs.	Perdiem	486240	3,600.00
2	Feb. 7,07	Marie E. Leigh-Parker Mrs.	Excess baggage	486239	500.00
3	Feb. 7,07	Fodee Kromah	Perdiem	486241	4,900.00
4	Feb. 7,07	Timothy G. Wiaplah	Perdiem	486242	4,900.00
5	Feb. 8,07	SN. Brussels Airline	Air Ticket	486244	7,076.48
6	March 2,07	Stephen B. Dunbar	Perdiem	486249	2,100.00
7	March 2,07	Jacob S. Sandikie	Perdiem	486250	1,800.00
8	March 2,07	Clemenceau Urey	Perdiem	486248	2,100.00
9	March 2,07	Fodee Kromah	Perdiem	486247	2,100.00
10	March 9,07	Slok Air	Air Ticket	486251	366.00
11	March 9,07	Fodee Kromah	Air port tax/ perdiem	486252	1,425.00
12	March 12,07	Jacob S. Sandikie	Allowance	552945	1,000.00
13	March 21,07	Marie E. Leigh-Parker Mrs.	Reinbursement	552970	70.00
14	March 22,07	Christian N. Harmon	Visa- Hong-kong	552975	141.00
15	23-Mar-07	Clemenceau Urey	Reinbursement	552981	9,700.00
16	May 1,07	Fodee Kromah	Perdiem	553041	1,500.00
17	May 1,07	Jacob S. Sandikie	Perdiem	V#0531	800.00
18	Aug. 27, 07	Fodee Kromah	Airticket	486311	90.00
19	Aug. 28, 07	Marie E. Leigh-Parker Mrs.	Airticket/APT/Visa	486313	490.00
20	Sept. 10,07	Marie E. Leigh-Parker Mrs.	Perdiem/Apt	486316	3,325.00
21	Aug.17,07	Marie E. Leigh-Parker Mrs.	Perdiem/Apt	486295	2,150.00
22	Aug.17,07	Slok Air	Airtickets	486298	815.00
23	Aug.17,07	Fodee Kromah	Perdiem	486294	2,450.00
24	Aug.17,07	Albert T. Chie	Perdiem	486300	825.00
25	Aug.27,07	Albert T. Chie	Airticket/APT	486312	490.00
26	Sept. 10,07	Brusesels Airlines	Airtickets	486318	11,449.28
27	Sept. 10,07	Albert T. Chie	Perdiem/Apt	486317	2,225.00
28	Sept. 10,07	Clemenceau Urey	Perdiem/Apt	486321	1,425.00
29	Sept. 10,07	Fodee Kromah	Perdiem/Apt	486314	3,875.00
30	Sept. 10,07	Clemenceau Urey	Perdiem/Apt	486315	3,875.00
31	Sept. 11,07	Slok Air	Air-ticket	486322	371.00
32	Oct.2,07	Clemenceau Urey	Britist Visa	608196	450.00
33	Oct.19 ,07	Gritaco Travel Agency	Airtickets	486329	1,428.45
34	Oct.19 ,07	Slok Air	Air tickets	486330	222.00
35	Oct.19 ,07	Slok Air	Air tickets	486332	286.00
36	Oct.19 ,07	Jacob S. Sandikie	Per diem/APT	486331	1,825.00
37	Oct.22,07	Cletus S. Waterson	Per diem/APT	697653	700.00
38	Oct.22,07	Gritaco Travel Agency	Air tickets	486348	2,491.40
39	Oct.22,07	Cletus S. Waterson	Per diem	486347	1,400.00
40	Oct.22,07	Fodee Kromah	Per diem	697652	700.00

41	Oct.22,07	Fodee Kromah	Per diem	486346	1,400.00
42	Nov.21,07	Gritaco Travel Agency	Air-tickets	697697	2,491.40
43	Nov.22,07	Clemenceau Urey	Perdiem	697699	1,400.00
44	Nov.22,07	Fodee Kromah	Perdiem	697698	1,400.00
45	Nov.27,07	Jacob S. Sandikie	Air-Ticket	697706	413.00
46	Dec.4,07	Jacob S. Sandikie	Honorarium	697716	1000
47	Jan.28,08	Jacob S. Sandikie	Perdiem, Visa/APT	673924	4625
48	Jan.28,08	Brusesels Airlines	Air- ticket	673922	1647
49	Jan.29,08	Fodee Kromah	Perdiem	697749	3500
50	Jan.29,08	Gritaco Travel Agency	Air-tickets	673929	4,905.77
51	Jan.29,08	Brusesels Airlines	Air-tickets	672928	4,061.00
52	Jan.29,08	Albert T. Chie	Perdiem	673930	2,000.00
53	Jan.30,08	Fulton D. Reeves	Local	673931	286.00
54	April 3,08	Albert T. Chie	Perdiem	757925	1,800.00
55	April 3,08	Brusesels Airlines	Air-tickets	757922	7,569.00
56	April 3,08	Jacob S. Sandikie	Perdiem/Hotel Accom	757926	2,100.00
57	April 3,08	Marie E. Leigh-Parker Mrs.	Perdiem/Hotel Accom	757927	4,450.00
58	April 4,08	Albert T. Chie	Hotel Accommodation	757930	1,200.00
59	April 15,08	Marie E. Leigh-Parker Mrs.	Hotel Accommodation	802438	1,200.00
60	May 16,08	Fodee Kromah	Local	760383	1,000.00
61	May 30,08	Fodee Kromah	Local perdiem	760416	1,000.00
62	Jun. 3,08	Fodee Kromah	Local perdiem	76422	1,500.00
63	Jun. 18,08	Marie E. Leigh-Parker Mrs.	Local perdiem	760438	1,800.00
GRAND TOTAL					136,584.78

Over-Payment of Per-diem advances to NOCAL's Staff

(ANNEXURE 16)

Date	Payee	Area(s) Travel	Actual US\$	Approved Perdiem US\$	Excess US\$
Oct. 22,07	Fodee Kromah	Ghana	700.00	\$97*2=194	\$ 506.00
Oct. 22,07	Fodee Kromah	Ghana	1,400.00	\$97*4=388	\$ 1,012.00
Nov.22, 07	Fodee Kromah	Ghana	1,400.00	\$97*4=388	\$ 1,012.00
Nov.22, 07	Clemenceau Urey	Ghana	1,400.00	\$97*4=388	\$ 1,012.00
Sept. 10, 07	Clemenceau Urey	Sierra Leone	1,400.00	\$129*4=516	\$ 884.00
May 16,08	Fodee Kromah	South Eastern	1,000.00	\$58*3=174	\$ 826.00
30-May-08	Fodee Kromah	South Eastern	1,000.00	\$58*3=174	\$ 826.00
Jun. 3, 08	Fodee Kromah	South Eastern	1,500.00	\$58*7=406	\$ 1,094.00
18-Jun-08	Mrs. Parker	Cairo	1,800.00	\$192*6=1,152.	\$ 648.00
Sept. 4, 06	Fodee Kromah	Nigeria	1,750.00	\$198*5days	\$990.00
Sept. 4, 06	Clemenceau Urey	Nigeria	1,750.00	\$198*5days	\$ 990.00
Mar. 2, 07	Jacob Sandike	Spain	1,800.00	\$196*6=\$1,176	\$ 624.00
Mar. 2, 07	Clemenceau Urey	Spain	2,100.00	\$196*6=\$1,176	\$ 924.00
Mar. 2, 07	Fodee Kromah	Spain	2,100.00	\$196*6=\$1,176	\$ 924.00
Mar. 2, 07	Clr. Stephen B. Dunbar	Spain	2,100.00	\$196*6=\$1,176	\$ 924.00
Oct. 19, 07	Jacob S. Sandike	South Africa	1,800.00	\$171*6=\$1,026	\$ 774.00
Oct. 22,07	Cletus Waterson	Ghana	700.00	\$97*2=194	\$ 506.00
Oct. 22,07	Cletus Waterson	Ghana	1,400.00	97*4=388.00	\$ 1,012.00
Total			26,400.00		\$ 15,488.00

Irregular Payments-Third Party

(ANNEXURE 17)

No.	Payee	Description	payment Voucher	Check number	AMT (LD)	AMT (USD)
1	Theonie Outland	News papers	268	451843		20.68
2	Christiana N. Harmon	Oath of fidelity & secrecy	287	451861		100.00
3	Theonie Outland	News papers	470	451894		15.00
4	marie E. Leigh Parker	reimbursement	493	445817		58.50
5	Emmanuel Doe	40-watt globe	531	445848		30.50
6	Timothy G. Wiaplay	public relation	532	445849		300.00
7	Theonie Outland	News papers	536	476552		14.00
8	Christiana N. Harmon	vehicle repairs	245	476514		355.00
9	Timothy G. Wiaplay	contribution	296	476515		1000.00
10	Theonie Outland	News papers	297	476517		14.00
11	Emmanuel Doe	gate lock	126	476575		75.00
12	marie E. Leigh Parker	reimbursement	103	476522		109.66
13	marie E. Leigh Parker	vehicle maintenance	322	573441		9.00
14	Henry M. Gray	vehicle maintenance	326	513444		70.00
15	marie E. Leigh Parker	vehicle maintenance	324	513443		375.00
16	Theonie Outland	News papers	330	513449		15.00
17	Theonie Outland	News papers	343	51363		14.00
18	Theonie Outland	News papers	331	334681	600.00	
19	Timothy G. Wiaplay	tag hoder gratuity	570	486209	0.00	175.00
20	Timothy G. Wiaplay	contingency	577	486214	0.00	230.00

21	Timothy G. Wiaplay	honorarium	583	486221	0.00	150.00
22	Timothy G. Wiaplay	honorarium	586	486223	0.00	120.00
23	marie E. Leigh Parker	vehicle rental	585	486222	0.00	375.00
24	marie E. Leigh Parker	vehicle rental	594	486226	0.00	360.00
25	Theonie Outland	News papers	364	552902	0.00	16.00
26	Theonie Outland	News papers	18	552938	0.00	13.00
27	marie E. Leigh Parker	vehicle rental	60	552980	0.00	2510.00
28	Theonie Outland	News papers	82	334651	880.00	
30	Emmanuel Doe	distilled water & charging	79	334652	740.00	
31	Theonie Outland	News papers	530	334653	820.00	
32	Theonie Outland	News papers	234	334658	880.00	
33	Theonie Outland	News papers	435	334664	950.00	
34	marie E. Leigh Parker	cost of chairman sandal	25	608160	0.00	80.00
35	Theonie Outland	News papers	213	334667	1040.00	
37	marie E. Leigh Parker	reimbursement	51	608175	0.00	98.00
38	Theonie Outland	News papers	59	334669	880.00	
39	Henry M. Gray	vehicle rental	77	608189	0.00	300.00
41	Theonie Outland	News papers	87	334670	800.00	
42	Christiana N. Harmon	entertainment	100	673905	0.00	41.00
43	Timothy G. Wiaplay	consultancy	104	486328	0.00	2000.00
44	Timothy G. Wiaplay	NOCAL Guest-Adv. Payment	118	683918	0.00	100.00
45	Theonie Outland	News papers	141	334627	920.00	
46	Edward M.Cephas	janitorial supply	155	697666	0.00	158.90
47	Edward M.Cephas	Vehicle registration	430	334662	800.00	
47	Edward M.Cephas	painting materials	159	697670	0.00	232.00
48	Emmanuel Doe	janitorial work & laundry	177	697691	0.00	40.00
49	Henry M. Gray	cylinder lock & laundry	179	697689	0.00	35.00
50	marie E. Leigh Parker	reimbursement	77	552999	0.00	60.00
51	Theonie Outland	News papers	282	334679	780.00	
	Jacob S. Sandikie	P. A	507	445825	0.00	100.00
54	marie E. Leigh Parker	electrical materials	336	673990	0.00	25.00
55	Emmanuel Doe	electrical materials	335	334682	850.00	
56	Timothy G. Wiaplay	reimbursement	337	673989	0.00	170.00
57	marie E. Leigh Parker	vehicle maintenance	376	674013	0.00	100.00
58	Henry M. Gray	facilatation	459	674028	0.00	45.00
59	marie E. Leigh Parker	facilatation	460	674027	0.00	50.00
60	marie E. Leigh Parker	facilatation	463	674029	0.00	20.00
61	Christiana N. Harmon	Oath of fidelity & secrecy	468	674033	0.00	50.00
62	Emmanuel Doe	plumbing material	465	334686	1400.00	
63	Emmanuel Doe	maintenance building	489	802404	0.00	51.00
64	Timothy G. Wiaplay	stratch cards	422	757914	0.00	50.00
65	Henry M. Gray	vehicle rental	424	757915	0.00	2080.00
66	Dr.Fodee Kromah	vehicle rental	538	760351	0.00	455.00
67	Henry M. Gray	vehicle rental	537	760353	0.00	400.00
68	Emmanuel Doe	generator maintenance	555	334689	1400.00	
69	marie E. Leigh Parker	Courier service	559	760374	0.00	146.00
70	marie E. Leigh Parker	Courier service	624	760434	0.00	73.00

71	marie E. Leigh Parker	vehicle maintenance	647	760437	0.00	40.00
72	Christiana N. Harmon	cylinder lock	431	334663	1575.00	
73	Emmanuel Doe	Lighting materials	227	486305		36.00
72	Clemenceau B. Urey	Excess bages	489	445812		1863.00
73	Jacob S. Sandikie	reimbursement	543	476561		694.16
74	Clemenceau B. Urey	reimbursement	379	674010		350.00
75	Edward M.Cephas	fuel oil tank & janit. supplies	76	552998		110.79
TOTAL					15,315.00	16,578.19

ANNEXURE 18A

Equipment and Furniture whose positions have been Changed with no update to the Asset Listing

EQUIPMENT

NO	item	serial /code	formal position	present position
1	DUMP STARLING PHONE	BR/FF-0038	BOARD ROOM	GEN.SERVICE
2	SPILT UNIT		CONFERENCE ROOM	
3	TELEPHONE	NOCAL/CRM/E-0060	CONFERENCE ROOM	INTERNALAUDIT OFF.
4	PROJECTOR SCREEN	GS/E-0024	GEN.SERVICE	BOARD ROOM
5	HP DESTOP COMPUTER	NO CODE	PRESIDENT OFFICE	
6	WAIL CLOCK		PRESIDENT OFFICE	
7	UPS/APC	SPG/E-0106	SPG/TS	HR .OFF
8	CALCULATOR DESK	VPA/E-0189	VPA OFFICE	GEN SERVICE
9	SPILT UNIT	NOCAL /PO/E-0175/176		CONFERENCE ROOM

Furniture

NO	item	serial /code	formal position	present position
1	BOOK CASE	AC/FD/FF-0125	ACCT./FINACE .DEPT.	GEN SERVICE
2	clerical desk	FF-0084	Adm .date office	Gen .service
3	EXECUTIVE CHAIR SEMI	ADM/00/FF-0085	AdM. DATE OFFICE	BOARD ROOM
4	Executive DESK	BR/FF-0018	BOARD ROOM	GEN.SERVICE
5	VISITOR CHAIR	000GS/FF-0003	FINACE OFFICE	REPRODUCTION ROOM
6	EXECUTIVE CHAIR	GS/FF-0006	GEN.SERVICE	BOARD ROOM
7	VISITOR CHAIR	GS/FF-0152	GEN.SERVICE	INTERNALAUDIT OFF.
8	VISITOR CHAIR	GS/FF-0151	GEN.SERVICE	INTERNALAUDIT OFF.
9	L- SHARP DESK	VP/TS/FF-007&007	GEN.SERVICE	INTERNALAUDIT OFF.
10	VISITOR CHAIR	GS/FF-0154	GEN.SERVICE	ES PRESIDENT OFF
11	VISITOR CHAIR	HR/FF-0091	HUMAN RESOURCE OFFICE	BOARD ROOM
12	EXECUTIVE DESK	PO/FF-0036A	PRESIDENT OFFICE	GEN.SERVICE
13	EXECUTIVE CHAIR	NOCAL /PO/FF/0037	PRESIDENT OFFICE	PRESIDENT CONFERENCE ROOM

ANNEXURE 18A

Equipment and Furniture whose positions have been Changed with no update to the Asset Listing				
14	Counter/TABLE	RR/FF-0097B	REPRODUCTION ROOM	BOARD ROOM
15	CLARICAL CHAIR	RR/FF-0098	REPRODUCTION ROOM	FINANCE DEPT.
16	VISITOR CHAIR	SPG/F-0114	SENIOR PET.GEOLOGIST OFFICE	BOARD ROOM
17	CLARICAL CHAIR	TS/FF-0106	TECHNICAL SERVICE	BOARD ROOM
18	EXECUTIVE CHAIR	VP/TS/FF-0099	VP/TS	INTERNALAUDIT OFF.
19	EXECUTIVE DESK	NO CODE		PRESIDENT OFFICE

ANNEXURE 18B

Equipment and Furniture not recorded in the Asset Listing					
EQUIPMENT					
N o.	item	serial /code	formal position	present position	Comment
1	Chunlan AC	NOT CODED	NEW	GEN.SERVICE	
2	INTERNET SWITCH	SN/CDF IG831172	NEW	BOARD ROOM	(GOOD)
3	SHARP TV	NOT CODED	NEW	BOARD ROOM	DAMAGE
4	PANASONIC TELEPHONE	KX-T7730X9FAFD535923	NEW	PREST.SECT.OFF	NEW
5	TOSHIBA LAPTOP	3937135Q/NOT CODED	NEW	VP TECH.OFF.	
6	HP LESERJET PRINTER	CNCT84JHIZ	NEW	INTERNALAUDIT OFF.	
7	HP LAPTOP	2CE928LT93	NEW	INTERNALAUDIT OFF.	
8	SPLIT UNIT (CHUNLAN)		NEW	INTERNALAUDIT OFF.	
9	SPLIT UNIT (CHUNLIAN)	VP/E-0160	NEW	VP ADM.OFF.	
10	AUTOMATIC VOLTAGE REGULATOR	NOT CODED	NEW	VP ADM.OFF.	
11	STARLINE PHONE	EBE609E/NOT CODED	NEW	HR .OFF	
12	TRADER/PAPER EATER	388417	NEW	FINANCE DEPT.	
13	STABLELIZOR	NOT CODED	NEW	FINANCE DEPT.	
14	HP DESK JET PRINTER	CNH3Q4S5VG	NEW	FINANCE DEPT.	
15	UPS	NOT CODED	NEW	AMDMINISTRATI ON	
16	UPS	NOT CODED	NEW	FINANCE DEPT.	
Furniture					
	item	serial /code	formal position	present position	Comment
1	FOUR Drawers Cabinets	NOT CODED	NEW	GEN.SERVICE	
2	FOUR BID BOXES	NOT CODED	NEW	GEN.SERVICE	

Equipment and Furniture not recorded in the Asset Listing					
3	BLOCK 11-12MAPS(2PCS)	NOT CODED	NEW	BOARD ROOM	(NEW)
4	TGS OFF SHORE LIB MAP(IA) NOT CODED		NEW	BOARD ROOM	NEW
5	4 DRAWAL CABINET	NOT CODED	NEW	PRES.SECT.OFF.	
6	EXCEATIVE CHAIR	NOT CODED	NEW	VP TECH.OFF.	
7	EXECUTIVE CHAIR	NEW/NOT CODED	NEW	INTERNALAUDIT OFF.	
8	4 DRAWAL CABINET	NEW/NOT CODED	NEW	INTERNALAUDIT OFF.	
9	METAL GLASS FACING SHELL	NOT CODED	NEW	PRESIDENT OF F	
10	4 DRAWALS CABINET	NOT CODED	NEW	ES PRESIDENT OFF	
11	WOODEN BOOK SHELL	NOT CODED	NEW	HR .OFF	
12	POTENTIAL PROSECTIVITY		NEW	BOARD ROOM	(NEW)
13	EXECUTIVE DESK	NO CODE	NEW	PRESIDENT OFFICE	

EXHIBIT -1

Funds Transfer Initiation
Transaction Detail Report
By Last Entry Date, Status, and Amount
01/02/2009 - 04/03/2009


Bank ID: 021000021	Account: USD 1824136244 Acct Name: TGS NOPEC	
Tran Type: PAYMENT Drawdown Ind: Tran ID: 23341659	Confirmation No: 3112900043J00000 Clearing Ref: 0309223/0059912	Pay Method: CHP Value Date: 02/12/2009 Status: Released
Payment Amount: USD 1,266,102.59 *		
Cust Ref: Bene Ref:	Beneficiary is a Bank: No Debit Bank Chgs: Remitter	
By Order: Name: Address:	Ultimate Bene: 10210030612011 Name: NATIONAL OIL COMPANY OF LIBERIA Address:	
Bene Bank: 0103 Name: DEUTSCHE BANK TRUST CO AMERICAS Address: BANKERS TRUST PLAZA, NEW YORK NEW YORK, UNITED STATES	Intermediary: Name: Address:	
Bank Info:	Payment Detail: FFC ECOBANK LIBERIA LTD. ACCT #: 04 411683	
	Last Entered By: G7416377 Last Entered On: 02/12/2009 12:47 PM ET	
	Last Approved By: G7416377 Last Approved On: 02/12/2009 12:47 PM ET	
	Released By: G7416172 Released On: 02/12/2009 02:21 PM ET	

EXHIBIT 2

Reply

<http://by138fd.bay138.hotmail.msn.com/cgi-bin/compose?type=r&...>

MSN Home | My MSN | Hotmail | Shopping | Money | People & Chat | Sign Out | Web Search: Go

Hotmail  Home | Inbox | Compose | Calendar | Contacts | Options | Help

mparkerlib@hotmail.com Reply

☐ Send ☒ Save Draft ☐ Attach ☐ Tools ☐ Cancel

To:

Cc:

Bcc:

Subject: RE: additional expenditure

☐ Copy Message to Sent Folder

Get the latest updates from MSN

MSN Home | My MSN | Hotmail | Search | Shopping | Money | People & Chat

© 2007 Microsoft TERMS OF USE Privacy Statement

Feedback | Help

Favorite Contacts

abebea repsol, elalva... <elalvarezb
ajavon-cox, Ayele <yalea40@yaho
ajavon, yamah <yams191@yahoo.
allsopp Broadway, ga... <gary.alls
alvarez repsol, elv... <elavarezba6
andoh, desmond K. <dkandoh@ya
andrews-greaves, Pre... <pandy2
aze, prince <ovantool@msn.com>
backer, vicky <vbacker@tgsnopec
Bailey, Garison W. <uncle_bailey@
bangura regal, gbri <gbangura@s
banner onslow resour... <jbannerf
Barrowman Repsol, M... <mgbarr
benichou, pierre <pierre@tgsnope
benichou, pierre <pbenichou@tgs
BERTINCHAMPS, GEORGE <georg
biddestone Broadway,... <pbiddies
boswell, lou <barblzz@verizon.net
brown, d sheba <dshebabrown@y
burnfield, will <will_burnfield@yah
burnfield, william <vburnfield@syf
BURNFIELD, william <liberia_bid@

Show All Edit Favorites

From: "Prince Arthur Eze" <orantool@msn.com>
To: mparkerlib@hotmail.com
Subject: RE: additional expenditure
Date: Wed, 11 Apr 2007 17:38:26 +0100
>
>mY DEAR MARIE,
> GO AHEAD AND HELP THEM WITH 1500 DOLLARS
> BEST WISHES
> PRINCE EZE
>>From: "Marie Leigh-Parker" <mparkerlib@hotmail.com>
>>To: orantool@msn.com
>>Subject: additional expenditure
>>Date: Wed, 11 Apr 2007 15:16:39 +0000
>>
>>Hello: The clerks and secretarial staff are also asking for 1,500
>>US\$. Should we do this and have you added to the total amount? I
>>cannot do this without your consent. Please let me hear from you BY:
>>urgently to move this forward.

F A I N

EXHIBIT 3

TGS-NOPEC Geophysical Company (UK) Limited

Tel: +44 (0) 1234 773127 Fax: +44 (0) 1234 325555 email: info@tgsnopec.co.uk Graylaw House, 21/21A Goldington Road, Bedford, MK40 3JY, UK

TGS
ORIGINAL

4th December, 2008

To: Dr. Fodee Kromah – President CEO
National Oil Company of Liberia (NOCAL)
Episcopal Church Plaza, 3rd Floor
Corner of Ashmun & Randall Streets
1000 Monrovia 10
Liberia



Dear Dr. Kromah:

Ref: Licensing of 2D Seismic Data – Revenue Sharing of Interim Sales

This is to confirm our mutual agreement to share revenues received from 2D data licensed during the period from TGS-Nopec achieving USD6.4 million and the signing of a new data management agreement between NOCAL and the successful bidder. The agreed revenue share percentage is 40% to TGS and 60% to NOCAL.

The above revenue sharing is agreed.

For and on behalf of
THE NATIONAL OIL COMPANY
OF LIBERIA

TGS-NOPEC GEOPHYSICAL COMPANY

By: Fodee Kromah

By: David Hicks

Name: Dr. Fodee Kromah

Name: David Hicks

Title: President & CEO

Title: Vice-President - AMEAP

A subsidiary of TGS-NOPEC Geophysical Company ASA, Norway
Incorporated in the United Kingdom. Registered in England No. 2895729



INVESTOR IN PEOPLE

Bole

Exhibit 4

NATIONAL OIL COMPANY OF LIBERIA (NOCAL) MONROVIA, LIBERIA

BOARD MEMBERS' BONUSES - 2007

NO.	NAMES	AMOUNT (USD)	SIGNATURE	DATE
1.	CLEMENCEAU B. UREY, SR.	2,000.00	<i>[Signature]</i>	12-06/07
2.	STEPHEN B. DUNBAR, JR.	2,000.00	<i>[Signature]</i>	12/6/07
3.	SAMUEL B. COOPER, JR.	2,000.00	<i>[Signature]</i>	6/12/07
4.	PETER B. JALLAH, JR.	2,000.00	<i>[Signature]</i>	6/12/07
5.	D. EVELYN S. KANDAKAI	2,000.00	<i>[Signature]</i>	6/12/07
6.	FODEE KROMAH	2,000.00	<i>[Signature]</i>	6/12/07
7.	EUGENE SHANNON	2,000.00	<i>[Signature]</i>	06/12/07
8.	SAMUEL B. COOPER, JR.	2,000.00	<i>[Signature]</i>	<i>[Signature]</i>
9.	TOTAL:	16,000.00	<i>[Signature]</i>	

APPROVED:

MARIE F. LEIGH-PARKER (MRS.)
VICE PRESIDENT
ADMINISTRATION & FINANCE

Exhibit 5

PAGE 10 NATIONAL OIL COMPANY OF LIBERIA
FIXED ASSETS RECORDS

Date	Qty	Description	Serial #	Location	Assigned Code	Cost US\$
11/5/2008	1piece	Refrigerator	-0-	VP/Administration	NOCAL/VP/A/E-0144	265
11/5/2008	1piece	Refrigerator	-0-	VP/TechnicalServices	NOCAL/VP/TS/E-0145	265
11/5/2008	1piece	Refrigerator	-0-	Comptroller/Finance Dept.	NOCAL/FD/E-0146	265
11/5/2008	1piece	Desk calculator	-0-	VP/Administration Dept.	NOCAL/VP/ADM/E-0147	75
4/23/2008	1piece	UPS/APC	-0-	Human Resource Dept	NOCAL/HR/E-0148	140

Assets / Vehicle Record

Date	Qty	Description	Engine #	License plate #	Location	Cost US\$
	1	Toyota Hilux twin-cabin-pick-up		BP -0876	Utility	29,995.00
	1	Toyota prado / Blue	SL5335348	BC-1967	President /CEO	44,690.00
	1	Toyota land cruiser	-0-	BC-4353	President /CEO	57,550.00
	1	Toyota fortuner	MHYXX59GX88008927	BC-1968	VP/Administration	36,900.00
	1	Toyota hilux Twin-Cabin-pick-up	-0-	BP-1748	VP/Technical Services	30,750.00
6/23/2007	1	Hover CUV 5 Doors Jeep	SDC7949	BC-4354	Comptroller	25,500.00
	1	Toyota Hilux Twin-Cabin-pick-up	-0-	BP-1767	Senior Pet. Geologist	30,750.00
1/17/2008	1	Toyota Hilux twin-cabin-pick-up	5L-6034528	-0-	Board Chairman	34,500.00
4/6/2008	1	Nissan Primera	GA/6-08680	BC-4511	Human Resource	5,500.00
		GRAND TOTAL				418,929.46

GACIRL # 3

EXHIBIT 6

NATIONAL OIL COMPANY OF LIBERIA
Comparative Statement of Income, Expenses and Retained Earnings
For two(2) fiscal years (FY 2006/07 & FY 2007/08)

	AMOUNT(USD) 6/30/2008 FY2007/08	AMOUNT(USD) 6/30/2007 FY2006/07
REVENUES:		
HYDROCARBON DEVELOPMENT FUND	1,250,000.00	250,000.00
SOCIAL WELFARE	450,000.00	0.00
SURFACE RENTAL	292,850.00	0.00
UL PAYMENT	225,000.00	0.00
ANNUAL TRAINING	200,000.00	0.00
CAPITALIZATION-GOL SUBSIDY	161,247.34	154,705.21
INTEREST REVENUE-TIME DEPOSIT	34,188.89	0.00
MISCELLANEOUS(OTHER REVENUE)	11,345.00	8,568.51
FUTURE REVENUE SHARING SCHEME-TGS NOPEC	0.00	150,000.00
TRANSFER REVENUE RECOVERED	2,450.00	95,000.00
L.P.R.C. LOAN PROCEEDS	0.00	50,000.00
SENSITIZATION REVENUE-OIL COMPANIES	0.00	15,000.00
UPGRADING AIRLINE TICKETS-TGS NOPEC	0.00	9,666.20
RECEPTION PRESENTATION	0.00	9,400.00
TOTAL INCOME	2,627,081.23	742,339.92
OPERATING EXPENSES:		
	FY2007/08	FY2006/07
GOL PAYMENT- (NATIONAL BUDGET)	600,000.00	-
OFFICE VEHICLE	215,950.00	-
SALARIES & WAGES	189,039.00	215,587.75
BOARD FEES	60,400.00	35,000.00
CUSTOM DUTY CHARGES	49,100.42	-
ARREARS-SALARY & BENEFITS	40,741.75	-
AIR TICKETS	39,156.75	20,824.00
PER DIEM-FOREIGN	50,275.00	32,268.00
ANNUAL INCENTIVES	36,391.78	-
DEBT SERVICES-EXP.	34,135.00	27,051.78
INTERMINISTERIAL COMMITTEE	33,500.00	-
OFFICE SPACE RENTAL (E.C.L)	25,000.00	49,998.80
OTHERS OPERATING EXPENSES	331,845.09	336,613.28
TOTAL OPERATING EXPENSES	1,705,534.79	717,343.61
INCOME BEFORE DEPRECIATION EXPENSE	921,546.44	24,996.31
DEPRECIATION EXPENSE	16,118.94	16,118.94
NET INCOME	905,427.50	8,877.37

GACIRL # 3

EXHIBIT 6 Cont'd

NATIONAL OIL COMPANY OF LIBERIA(NOCAL)
COMPARATIVE BALANCE SHEET
AS AT JUNE 30, 2008

	6/30/2008 CURRENT FY2007/2008	6/30/2007 UNAUDITED FY2006/2007	3/31/2006 AUDITED
ASSETS:			
CURRENT ASSETS:			
CASH AND BANK BALANCES	1,033,358.67	108,811.23	191.00
STAFF ADVANCES- RECEIVABLE	2,573.00	2,154.50	-
ACCOUNT RECIEVABLES	137,358.57	-	-
RECEIVABLE-CAPITALIZATION(GOL)	200,000.00	200,000.00	-
TOTAL CURRENT ASSETS	1,373,290.24	311,104.73	191.00
FIXED ASSETS (NET)	379,174.25	126,075.00	135,746.00
TOTAL ASSETS	1,752,464.49	437,179.73	135,937.00
LIABILITIES:			
CURRENT LIABILITIES:			
WITHHOLDING INCOME TAX (GOL)	87,281.24	53,585.64	0
LOANS PAYABLE	30,000.00	385,000.00	85,000.00
TOTAL CURRENT LIABILITIES	117,281.24	438,585.64	85,000.00
LONG-TERM LIABILITIES:			
TGS-NOPEC-FUTURE SHARING PAYABLE	0.00	150,000.00	0
TGS-NOPEC PAYABLE	46,950.46	2,691,144.00	2,691,144.00
OTHER LIABILITIES	320,425.00	320,536.00	341,426.00
TOTAL LONG-TERM LIAB.	367,375.46	3,161,680.00	3,032,570.00
TOTAL LIABILITIES	484,656.70	3,600,265.64	3,117,570.00
SHAREHOLDER'S EQUITY :			
SHARE CAPITAL	456,652.50	384,937.82	86,668.00
RETAINED EARNINGS	811,155.29	-3,548,023.73	-3,068,301.00
TOTAL SHAREHOLDER'S EQUITY	1,267,807.79	-3,163,085.91	-2,981,633.00
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	1,752,464.49	437,179.73	135,937.00

GACIRL # 3

EXHIBIT 6 Cont'd

NATIONAL OIL COMPANY OF LIBERIA COMPARATIVE STATEMENT OF CASH FLOWS For two(2) fiscal years (FY 2006/07 & FY 2007/08)		
INFLOWS / RECEIPTS:		
ACCOUNT TITLE	AMOUNT(USD)	AMOUNT(USD)
	6/30/2008 FY2007/08	6/30/2007 FY2006/07
OPENING BANK BALANCES	25,277.35	281.04
HYDROCARBON DEVELOPMENT FUND	1,250,000.00	250,000.00
SOCIAL WELFARE	450,000.00	0.00
SURFACE RENTAL	292,850.00	0.00
UL PAYMENT	225,000.00	0.00
ANNUAL TRAINING	200,000.00	0.00
CAPITALIZATION-GOL SUBSIDY	161,247.34	154,705.21
INTEREST REVENUE-TIME DEPOSIT	34,188.89	0.00
MISCELLANEOUS(OTHER REVENUE)	11,345.00	8,568.51
FUTURE REVENUE SHARING SCHEME-TGS NOPEC	0.00	150,000.00
TRANSFER REVENUE RECOVERED	2,450.00	95,000.00
L.P.R.C. LOAN PROCEEDS	0.00	50,000.00
SENSITIZATION REVENUE-OIL COMPANIES	0.00	15,000.00
UPGRADING AIRLINE TICKETS-TGS NOPEC	0.00	9,666.20
RECEPTION PRESENTATION	0.00	9,400.00
TOTAL INFLOWS	2,652,358.58	742,620.96
OUTFLOWS:		
	FY2007/08	FY2006/07
GOL PAYMENT- (NATIONAL BUDGET)	600,000.00	-
OFFICE VEHICLE	215,950.00	-
SALARIES & WAGES	189,039.00	215,587.75
BOARD FEES	60,400.00	35,000.00
CUSTOM DUTY CHARGES	49,100.42	-
ARREARS-SALARY & BENEFITS	40,741.75	-
AIR TICKETS	39,156.75	20,824.00
PER DIEM-FOREIGN	50,275.00	32,268.00
ANNUAL INCENTIVES	36,391.78	-
DEBT SERVICING	34,135.00	27,051.78
INTERMINISTERIAL COMMITTEE	33,500.00	-
OFFICE SPACE RENTAL (E.C.L)	25,000.00	49,998.80
FUEL - GENERATOR	20,271.00	10,517.75
PRINTING & DOCUMENTATION	20,028.83	17,353.13
MAINT-VEHICLE	19,999.39	16,155.40
INT'L TRANSFER BANK CHARGES	19,602.78	5,279.55
OFFICE EQUIPMENT	19,153.00	1,956.25
INCOME TAX (EXPENSE)	35,892.02	27,472.25
GASOLINE	17,893.00	20,137.50
CONSULTANCY/LOBBYING FEES	17,389.95	121,900.00
ARREARS-BOARD FEES	16,350.00	-
LEGAL FEES	15,615.00	5,450.00
MAINT-GENERATOR	10,799.58	3,911.50
COMPUTERS	10,688.00	1,410.00
OTHERS	108,162.54	105,069.95
TOTAL OUTFLOWS	1,705,534.79	717,343.61
NET INCREASE /(DECREASE) IN CASH HELD	946,823.79	25,277.35